

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Monday February 19 1988

Afghan guerrillas fight battle of words, Page 20

Austria	5402	Indonesia	10300	Portugal	80100
Bahrain	40450	Italy	14500	S.Africa	80100
Belgium	14750	Japan	14500	Spain	34100
Canada	55100	Jordan	3000	Switzerland	34100
Cyprus	10750	Korea	3000	Taiwan	34100
Denmark	40450	Lebanon	3000	Thailand	34100
Egypt	10750	Malaysia	10300	Turkey	14500
France	14750	Philippines	10300	U.K.	14500
Germany	14750	Singapore	10300	USA	14500
Greece	10750	Sri Lanka	3000		
Hong Kong	10750	Taiwan	3000		
India	10300	Thailand	3000		
		USA	14500		

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World News Business Summary

Uruguayan heads bank despite US fears

Uruguayan Foreign Minister Enrique Iglesias was voted in as the next president of the Inter-American Development Bank. His appointment was championed by the major Latin American debtor countries but until the last minute, the US Treasury remained cool to Mr Iglesias.

It was seen as a threat to Washington's plans to assert greater control over the region's biggest multilateral lending institution. Page 4

Waldheim defence

Austrian state-radio and television (ORF) was accused by Mr Alois Mock, the Foreign Minister and leader of the conservative People's Party of brain-washing the public. Mr Mock said his party would complain about the "anti-Waldheim" coverage. Page 2

Pakistan 'peace delay'

The Soviet Union accused Pakistan of "friendly seeking" to delay the signing of a peace agreement on Afghanistan at UN-sponsored talks set to resume in Geneva next month. Page 3

Call for sabotage

Libyan leader Col Muammar Gaddafi urged Palestinians in the Israeli-occupied territories to escalate their protests from stone-throwing to sabotage in an address on a Palestinian radio station.

E German N-plea

East German leader Erich Honecker called for an international meeting in East Berlin in June to discuss nuclear-free zones, the official ADN news agency reported.

Non-Opec oil flowing

Non-Opec oil production has risen steadily over the past year despite sanctions from the Organisation of Petroleum Exporting Countries to exercise restraint, oil-industry analysts said.

Demjanjuk trial ends

The trial of alleged Nazi war criminal John Demjanjuk ended on a dramatic note with his daughter shouting abuse at prosecutors and his family walking out.

Death penalty urged

Egypt's chief prosecutor has demanded the death penalty for the son of the late President Gamal Abdel Nasser over the murder of two Israeli and the wounding of two US Embassy employees in Cairo. Page 3

Guerrilla sentenced

Nathalie Menigon, one of the four accused Action Directe guerrilla leaders in the 80th day of a hunger strike, was sentenced to 12 years in jail for the attempted murder of two policemen and to 10 years for criminal conspiracy.

Anti-semitism attacked

Poland's Communist Party denounced an anti-semitic campaign it began in 1985, which resulted in 30,000 Jews leaving the country.

Sleeping sickness plea

Chad called for international aid to combat an epidemic of sleeping sickness which has affected 10,000 people in central Africa.

Desert floods

The deserts of the United Arab Emirates were hit by the worst floods in living memory only two weeks after a satellite search for underground water was announced.

Move against aerosols

Eight British toiletary makers agreed to phase out aerosols with chemicals believed to damage the earth's ozone layer.

Ford UK workers vote to end strike

FORD'S 32,500 UK manual workers are expected to go back to work on Monday after a two-week strike. Ballots showed that about 70 per cent of workers wanted to accept a revised two-year pay offer. US parent company announced fourth-quarter net earnings of \$932m against \$785m, lifting full-year earnings to \$4.6bn from \$3.3bn. Page 5

KUWAITI Government, which owns almost 20 per cent of British Petroleum, has refused to give an undertaking that it will stop buying shares in the company. Page 20

WALL STREET: The Dow Jones Industrial Average closed down 14.42 at 1896.57. Page 40

LONDON gilts and equities eased after domestic money supply and bank lending totals for January measured up to the City's expectations. The FT-SE 100 index ended 12 points lower at 1,736.1. Page 36

TOYOKO Investor interest centred on large capital and consumer stocks, with share prices rising for the sixth consecutive trading day. The Nikkei average ended 245.41 higher at 24,675.36. Page 40

STERLING closed in New York at \$1.7420. It closed in London at \$1.7460 (\$1.7495); DM2.9825 (\$2.9825); FF10.0825 (\$10.0825); SF2.4525 (\$2.4525); Y227.0 (\$227.0). Page 29

DOLLAR closed in New York at DM1.41; FF1.2706; SF1.9225; Y1.7125. It closed in London at DM1.7095 (D1.7095); FF5.7775 (FF5.7775); SF1.4065 (SF1.4020); Y130.10 (\$130.30). Page 29

BUNDESPOST, German posts and telecommunications authority, has admitted that TV-Sat, Europe's first direct broadcast satellite, had flopped. Estimated write-off costs are about DM390m (\$229m). Page 2

ALSTROM, heavy engineering subsidiary of France's Compagnie Generale d'Electricite, has won a FF1.06bn (\$273m) order for a coal-fired power station in China. Page 4

UNITED ARAB Emirates gas and petrol distribution company has been ordered to pay \$24m in damages for failing to pay for gas supplies. Page 4

PROSECUTORS for tax fraud among Britain's high-income earners has increased by up to 600 per cent since 1979, despite the sharp cut in the top rate of income tax that year. Page 6

CROWN LIFE, large Canadian insurance group, has reported a sharp downturn in operating income to C\$63.1m (US\$49.9m) for its year ended December 31 on revenues of C\$3.5bn. This compares with operating income of C\$97.7m on revenues of C\$3.1bn in 1986. Page 21

J.C. PENNEY, third largest US general retailer, reported a 10.7 per cent increase in net income in the fourth quarter but a drop in operating profits because of fat sales and a highly competitive Christmas season. Page 21

ROYALE BELGE, Belgium's second largest insurer, confirmed it had sold a small but significant stake in Societe Generale de Belgique to Banque Generale de Luxembourg. Page 21

CINCINNATI MILACRON, large US machine tool manufacturer, is to cut its workforce by 100 jobs over the next 18 months. Page 22

VIAG, West German energy, aluminium and chemicals group, "appreciably" increased net profits last year at both group and parent company level. Page 22

SUBARU of America, the only publicly-listed importer of Japanese cars in the US, has suspended its dividend because of financial strain from the high yen. Page 22

THAILAND'S total exports last year rose 30 per cent in value to Baht 302.5bn (\$12bn), far exceeding the target set for the year, and imports rose 30 per cent to Baht 385.6bn. Page 3

Major defence cuts sought in Reagan's swan-song budget

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Ronald Reagan yesterday sent to Congress his swan-song budget calling for major cuts in defence spending and further government asset sales in an effort to reduce the Federal budget deficit from \$146bn forecast for this year to \$129bn next year.

The plan, largely dictated by last November's pact with Congress to cut the deficit by \$76bn in two years, reflects a spirit of compromise forced on Mr Reagan as he prepares to leave office next January.

In his budget, Mr Reagan envisages record Federal spending of \$1.1 trillion (million million) with revenues of \$935bn.

Spending on domestic programmes such as farm subsidies, health care and social security is to rise 4 per cent this year to move up to \$611.5bn.

White House officials said they hoped this year to avoid the debilitating budget battles which have marked the Reagan presidency. The existing bipartisan budget package, coupled

with the coming presidential and congressional elections, would spur House and Senate members to reach agreement, they said.

In his message to Congress, President Reagan conceded that his budget did not fully reflect his long-standing priorities of balancing the budget, cutting income taxes and building up the military.

But he said: "I am keeping my part of the bargain. I ask Congress to do the same. The goal of deficit reduction through spending reduction must be paramount."

Last October's stock market crash was partly caused by fears in the international financial markets about the size of the Federal deficit. Mr Reagan's confident prediction of a \$129bn budget deficit next year assumes an optimistic 2.4 per cent annual growth rate in 1988 and is way below the bipartisan Congressional Budget Office's forecast of \$176bn, which assumes no further policy changes.

While last year's bipartisan pact essentially set fiscal 1989's tax policy and spending on entitlements, it skirted what

many believe will be the most painful battle of all, defence spending.

The Reagan plan proposes \$294bn of defence spending for the 1989 financial year, starting on October 1, and \$290.5bn in budget authority (which includes money to be approved this year for spending in future years.)

These figures represent a \$33bn cut on last year's projected requests for Pentagon spending in fiscal 1989. The US Defence Secretary Mr Frank Carlucci has warned Congress that the newest Pentagon budget will have to be followed by reductions of at least \$200bn in the next three fiscal years.

Mr Rudolph Penner, a former director of the Congressional Budget Office, said: "This is the first time that they (Congress and the Administration) are going to have to make tough policy choices."

Within the total spending figure, the 77-year-old President has included ambitious spending plans in science, education and space programmes in what some see as his blueprint for the post-Reagan era.

Babbitt and Du Pont pull out

BY NANCY DUNNE IN WASHINGTON

TWO FORMER state governors, Bruce Babbitt of Arizona and Pete Du Pont of Delaware, yesterday became the latest casualties in the time-honoured "winnowing" process for which the New Hampshire presidential primaries have become justly famous.

Both men, always longshots, finished near the back of the pack in Tuesday's primary after disappointing finishes in the Iowa caucuses last week. Governor Du Pont became the second Republican to quit the race, following the withdrawal of General Alexander Haig last Friday.

Seeking support from the party's right wing, the former governor advocated tax cuts, unpopular fundamental changes in the Social Security system and

controversial mandatory drug testing in schools. Taking a first look at the primary supporters yesterday, he said: "In America we do not promise that everyone wins, only that everyone has the opportunity to try."

His departure leaves four Republicans vying for the nomination: the two front-runners, Vice President George Bush and Senator Robert Dole, along with Mr Jack Kemp, the favourite of many conservatives who has yet to show he can actually win somewhere, and Mr Pat Robertson, the charismatic television evangelist, newly reborn as a

candidate. Governor Babbitt, the first Democrat to drop out since the Iowa caucuses, ran a campaign marked by his whimsical wit

and poor television reviews. "I'm going out to Ely," he told his supporters yesterday. "I will walk off the call from the mainland - lie awake at night, listening for the sound of oars in the water." He said he would not "at this point" endorse another candidate.

Six Democrats remain in the race, although it is not certain how much longer former Senator Gary Hart and Paul Simon will carry on.

Governor Babbitt started his campaign virtually unknown on the national stage, but his plain speaking about the need for new taxes wooed him first attention and then admiration from the press corps. His proposal to tax wealthy recipients of Social Security was also politically risky.

Third World debt provisions leave Midland £505m in red

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

MIDLAND BANK opened the UK clearing bank results season yesterday by reporting a £506m (\$838m) loss for 1987 because of the impact of provisions against Third World loans.

Although this made Midland the first British clearing bank ever to register a full-year loss, the result had been widely expected, and is likely to be paralleled by Lloyds Bank when it reports this time next week.

Sir Kit McMahon, the former deputy governor of the Bank of England, who was making his first report as Midland's chairman, said that the loss was "the unavoidable effect" of having to set aside \$1.02bn to protect Midland against problems on its \$4.1bn exposure to Third World countries in financial difficulty.

But he stressed that Midland was now one of the most strongly capitalised banks in the UK, without the provision it would have made a profit of \$511m before tax, an increase of 18 per cent on 1986.

The bulk of the provision, \$915m, was made in the first half of last year, and Midland had already indicated that it would set aside a further \$100m in its final results. According to Sir Kit, the coverage of the provisions had been exceeded by 30 countries to 44, and they now stood at the equivalent of 29 per cent of Midland's exposure.

This brings Midland's provisions up to levels set by other UK clearing banks and many large US

banks last year. However, it will not be known until next week whether National Westminster Bank and Barclays will choose to divert more of their profits to raising their provisions still further. They are due to report on Tuesday and Wednesday.

Sir Kit said Midland would not make a further big boost to its provisions because the Third World debt problem had ceased to deteriorate. He believed that extensive provisioning was self-defeating and tended to be dictated more by negotiating tactics than by prudence. Midland's provisions were "comfortably" within the matrix provided by the Bank of England as a guideline, and in a few minor cases were even higher, he said.

Midland is unlikely to participate in Mexico's debt-for-equity exchange offer scheduled for next week. Although the offer scheme offered a way out for banks which wanted to quit international lending, Sir Kit said, it was not attractive for large banks which intended to remain in the business. Midland has \$1bn of loans to Mexico.

Banking analysts said yesterday that the banks' provisioning policies showed an increasing split between those which will go well beyond the matrix with a view eventually to writing off their Third World loans, and those who would remain in the 30-40 per cent range with the hope of eventually making some recoveries.

Both NatWest and Barclays are expected to make some

additions to their provisions, bringing them to around 35 per cent. Lloyds is less likely to make an increase because of the heavy losses it has already sustained from provision action at the interim stage last summer. The Bank of England has been encouraging banks to stick to the matrix as the most prudent measure.

Midland Bank's results yesterday also detailed the losses which it sustained from its unsuccessful venture into the institutional equity business at the time of the Big Bang in 1986. Midland Montagu, its investment banking arm, saw profits fall from \$50m to \$41m because of \$26m of trading losses in equities and a further \$11m to cover the cost of shutting the business down at the end of last year. But Midland's net profit rose to \$100m from \$70m last year.

The bulk of Midland's profits came from its UK banking operations - up 35 per cent. Thanks to last year's £700m rights issue and a £250m investment by the Hongkong and Shanghai Bank, which now has a 14.9 per cent stake, Midland has risen from being one of the UK's weakest banks to one of its strongest. Sir Kit has now launched a three year programme to improve profits by cutting costs and radically overhauling the group's systems.

Lex, Page 20; analysis Page 25

Arms negotiator says atmosphere at Geneva long-range missile talks has 'noticeably deteriorated'

Yeltsin axed from Politburo

By Charles Hodgson in Moscow

MR BORIS Yeltsin, the former staunch supporter of Mr Mikhail Gorbachev who was sacked as head of the Moscow Communist Party after denouncing bureaucratic sabotage of the Soviet leader's reforms, was yesterday dropped as a candidate member of the ruling Politburo.

The party's policy-making central committee appointed Mr Georgy Razumovsky and Mr Yuri Maslyukov as new candidates (non-voting) members. No new full members of the Politburo were appointed.

The removal of Mr Yeltsin had been widely expected after his dismissal from the Moscow party leadership in November, following a controversial speech to the 300-member Central Committee according to fellow leaders of deliberately failing to implement Mr Gorbachev's economic and social reforms.

The speech sparked the first major political crisis for Mr Gorbachev, who subsequently criticised Mr Yeltsin for impudence. It pointed to deep divisions within the Soviet leadership over how far reform should go.

Mr Razumovsky, 51, had been responsible for personnel and organisational matters on the central committee secretariat. Western diplomats said his promotion to candidate member might add some strength to Mr Gorbachev's position in the run-up to the planned June party conference at which the Soviet leader is keen to see a shake-up of membership of the Central Committee, 60 per cent of whose members are survivors from the Brezhnev era.

Mr Maslyukov, 59, was appointed earlier this month to take over as head of the powerful state planning committee, Gosplan, replacing Mr Nikolai Talyzin, who had been criticised for failing to push through reforms aimed at decentralising economic planning.

Mr Maslyukov's promotion consolidates his position in the leadership. Western analysts said Mr Talyzin's shift to the Bureau for Social Development, responsible for housing, transport and other social affairs, was clearly a demotion. They noted that he remains only a candidate Politburo member.

In Geneva, Mr Petrovsky said American negotiators in the Soviet-US strategic arms talks had deviated from the mandates issued at Washington summit in December, which

Gorbachev tone cools on outlook for arms treaties

BY CHARLES HODGSON IN MOSCOW AND WILLIAM DULLFORCE IN GENEVA

MR MIKHAIL Gorbachev, the Soviet leader, yesterday deplored Nato plans to upgrade some of its nuclear weapons and charged that "extreme anti-Soviet forces" were consolidating in the West.

Striking a relatively pessimistic note on the outlook for the Intermediate Nuclear Forces (INF) treaty banning medium and shorter-range missiles, he was speaking at a meeting of the central committee of the Soviet Communist Party.

Mr Vladimir Petrovsky, the Soviet deputy foreign minister, said in Geneva that the tone of Soviet-US talks on cutting long-range missiles had "noticeably deteriorated".

He hoped that Mr George Shultz, the US Secretary of State, would "provide the necessary clarity" when he goes to Moscow for talks on Sunday.

Mr Gorbachev criticised the US administration for on the one hand upholding the INF treaty and on the other using "anti-Soviet rhetoric". He accused the European Nato allies of hastening to comply with the US demand for the elimination under the INF accord of upgrading other systems on land, sea and air.

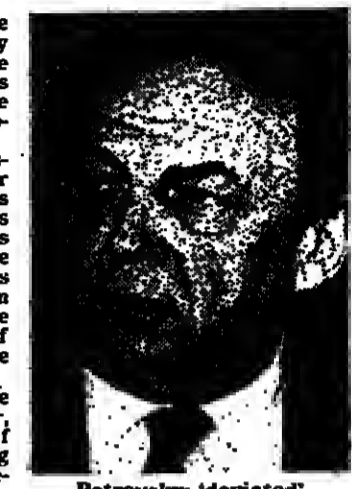
Mr Gorbachev's comments appeared to be a response to the longer line emerging from Western capitals on the question of modernising the short-range US nuclear weapons which will remain in Europe after the INF treaty.

They also seemed to be designed to offset concern in the Soviet Union about the impact on the country's security of moves towards disarmament.

"We have again heard a flat 'no' from London, Paris and Nato headquarters in Brussels to the renegotiation of nuclear weapons, even in the distant future," he said.

"It is precisely after the signing of the [INF] treaty that Nato states are demonstrating enhanced activity in the field of bilateral and multilateral military integration," he added. By bilateral integration, he appeared to be referring to the growing defence links between France and West Germany.

In Geneva, Mr Petrovsky said American negotiators in the Soviet-US strategic arms talks had deviated from the mandates issued at Washington summit in December, which



Petrovsky: 'deviated'

called for the two sides to negotiate cuts of 50 per cent in their long-range nuclear arsenals and to agree an observance of the anti-ballistic missile (ABM) treaty of 1972.

The US had tabled a draft agreement, which instead of providing for observance of the ABM treaty would allow a "transition" to the deployment of ballistic missile defences in space, he said.

Moscow was not making abandonment by the US of its Strategic Defence Initiative, or Star Wars programme, a precondition for a Start treaty, Mr Petrovsky added. But it would be contrary to the understandings reached at the Washington summit for the US to continue to push the arms race in the direction of outer space.

An undertaking by both sides to continue observing the ABM treaty for an agreed period is a corollary of any agreement on strategic nuclear weapons in Moscow's eyes. The draft Start treaty proposed by the US would give it "a whole set of possibilities, for unilaterally terminating the ABM agreement, the Soviet minister said."

Mr Petrovsky suggested that it was time to extend the nuclear disarmament process to other nations. He said that multilateral talks involving nuclear powers such as Britain, France and China could be conducted under the aegis of the 40-nation Conference on Disarmament in Geneva in parallel with the US-Soviet negotiations. That conference is the forum for attempts on a convention banning chemical weapons.

Kohl reassures Reagan Page 20

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UK Chancellor of the Exchequer, Nigel Lawson, expected to help only the affluent, Page 19

GIVING

MORE TO THE RICH

LESS TO THE POOR

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سكوا من الاصل

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OVERSEAS NEWS

Execution demanded for son of Nasser

EGYPT'S chief prosecutor has demanded the death penalty for the son of the late President Gamal Abdel Nasser over the murder of two US Embassy employees in Cairo. Mr Khaled Abdel Nasser, a 38-year-old engineer believed to have taken refuge in Yugoslavia, is accused of leading a group of Egyptian extremists...

Moscow condemns Pakistan on delays

THE Soviet Union yesterday accused Pakistan of "feverishly seeking pretexts" to delay the signing of a peace agreement on Afghanistan at UN-sponsored talks set to resume in Geneva next month. Mr Yuri Vorontsov, the Soviet First Deputy Foreign Minister, accused Pakistan of creating "artificial obstacles" to the peace process...

Bangladesh violence stalks March election

THE WIDESPREAD violence in which more than 150 people died during last week's union council elections - the lowest of elective bodies - has cast a shadow over the Bangladesh parliamentary elections set for March 3. The battle lines between the Government, headed by President Hussain Mohammad Ershad, and the mainstream opposition political alliances are now clearly drawn...



A policeman holds two activists outside a polling centre

Sayed Kamaluddin in Dhaka reports on the run-up to parliamentary polls called by President Ershad after strikes, led by the opposition calling for his resignation, and riots paralysed much of the country.

both as an admission that the police cannot enforce law and order and as an indication that the March poll will also not be fair. However, Mr Ershad, who wants the polls in 27,000 centres staggered over a few days, can point to last week's deaths and thousands of injuries in a free-for-all as competing supporters tried to capture polling booths.

UN continues Lebanon hunt

UN troops and Shias Amal militiamen continued a nightlong search for a kidnapped US officer in the muddy countryside of south Lebanon yesterday, Nora Boustan writes from Tyre. Lt Col William Higgins, 43, chief of the UN truce observation unit in Lebanon, was seized on Wednesday and taken to an unknown destination.

Angola claims a win

ANGOLA said yesterday it had driven back a South African offensive near the strategic town of Cuito Cuanavale, killing more than 70 troops and downing two aircraft in a four-day battle, Kenter reports from Lisbon.

Fairfax strike ends

JOHN FAIRFAX, the beleaguered Australian publishing group which is seeking to sell some of its key titles, yesterday gave in to journalists' demands by reversing management changes it imposed last week.

Thai visible trade grows faster than expected

THE VALUE of Thailand's total exports last year soared by 30 per cent to Baht 302.3bn (\$8.85bn), far exceeding the target set for the year, and imports rose by 39 per cent to Baht 335.6bn, according to preliminary customs figures. Imports rose as a result of expanding production and rising foreign investment.

Kinnock in Israel bullets row

MR NEIL KINNOCK, the British opposition Labour Party leader, was last night at the centre of a growing controversy over the alleged use by Israeli soldiers of modified "dum-dum" bullets, designed to inflict serious wounds. Such bullets are banned by international agreement, and Israeli officials deny their use.

British Airways announces pre-tax profits of £35m, for the third quarter to 31st December 1987

Group turnover increased 10% to £881m. Earnings were 3.2 pence per share. A sound performance with 11% more passengers and 17% more cargo carried on scheduled services.

British Airways' Concorde fleet carried its millionth revenue passenger

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AMERICAN NEWS

Final curtain falls on Reagan's fiscal follies

THE BUDGET process has so degenerated in recent years that the presidential budget is routinely discarded...

Anthony Harris in Washington takes a critical look at the President's Budget proposals

looks like a naked piece of election propaganda. Any talk of tax increases, it implies, can be based only on alarmism or an attachment to high spending...

a growing consensus that the fourth-quarter GNP estimate, which suggested a slump in consumer demand and a pressing inventory problem, was a great deal too pessimistic.

Reagan's fiscal 1989 budget

Table with columns: 1988 Estimate, 1989(a) estimate, 1989(b) proposed, (c). Rows include Defence, Social security, Health-Medicare, Education, Transportation, Agriculture, Energy, Int'l Affairs, Space-Technology, Justice, Housing, Other, TOTAL.

(a) Spending without policy changes. (b) President's proposal. (c) Difference between 1988 estimate and 1989 proposal.

they are unlikely to follow the smooth downward path forecast here; markets are too volatile for that. However, the current belief on Wall Street is that they are equally unlikely to follow the sharp upward curve foreseen by the CBO.

have given little weight to the warning from Mr Alan Greenspan, the Fed Chairman, that future trade progress is likely to be slower and less sustained.

Curbs on defence herald major restructuring

BY LIONEL BARBER IN WASHINGTON

IN THE eyes of some experienced defence commentators, the newest Pentagon budget marks the start of the most extensive restructuring of the US military since the Vietnam war.

The fiscal 1989 budget unveiled yesterday is a full \$33bn below what was envisioned one year ago by the then US Defence Secretary, Mr Caspar Weinberger.

Mr Weinberger - once considered an invincible adversary in the annual battles with Congress over defence spending - called at that time for 3 per cent annual increases in spending in the 1990s, after allowing for inflation.

The latest Pentagon budget calls for a mere 2 per cent increase in real spending. And Mr Carlucci, who only took up his post last year, has warned Congress that the 1989 budget will have to be followed by reductions of at least \$200bn in the subsequent three years.

These cuts - forced upon the Administration by the bulging Federal deficit - will have a direct impact on weapons pro-

gramment and manpower in the US Army, Air Force, Navy and Marines. They could ultimately lead to a reassessment of commitment of US forces overseas.

Among the projects either discarded or postponed is the US Army's \$60m LHX helicopter which was to appear in two versions, starting in 1993. Now the plan is to buy a lighter, cheaper version beginning in the late 1990s. The Army also plans some 8,000 troop cuts.

The 600-ship navy - the much-trumpeted goal of the former US Navy Secretary Mr John Lehmann - was to have been achieved next fiscal year. Under the new plan, some 16 frigates built in the 1980s and 1990s are to be mothballed, and the Navy is cancelling the A-6F aircraft carrier.

The US Air Force wants to reduce the number of its tactical wing aircraft (which have 72 planes each) from 38 to 35. It also plans to buy six fewer F-15E fighters, cutting the total to 36, though it will still buy 180 F-16 multi mission fighters.

And there is still room for a \$4.5bn request for the Strategic Defence Initiative, an increase of \$1.1bn from Congress's approved level of funding this year but \$1.7bn less than the request planned last year by the Pentagon.

But as Mr Rudolph Penner, a senior fellow at the Urban Institute, a Washington-based think-tank and a former director of the Congressional Budget Office, points out, this year's budget cutbacks mean that House and Senate members will no longer be able to rely on defence projects for their constituents back home.

There are major cancellations here, and that is real pork gone missing.

Among the cost-cutting ideas under discussion at the Pentagon are negotiated changes in the NATO treaty so European navy ships could replace US warships in the Mediterranean. Active US Army units in the US into reserves, and conducting a phased withdrawal of US troops from South Korea under the argument that the South Koreans forces can do the job, among several others.

Alfonso army policy attacked

BY TIM COONE IN BUENOS AIRES

ARGENTINE President Raul Alfonsín's defence policy came under attack yesterday in an overnight public debate between politicians of the ruling Radical Party and the opposition.

Mr Horacio Jaunarena, the Defence Minister, and Mr Enrique Nostiglia, the Interior Minister, faced hostile questions for almost six hours in the lower house of the Congress, during which Mr Jaunarena came under harsh criticism for taking too conciliatory a stance to hardliners in the armed forces.

Mr Jaunarena was asked whether it was compatible to have military leaders still demanding favourable government recognition of the army's strategy during the "dirty war" in the 1970s, and an official policy of punishment for those responsible for the human rights abuses. He responded lamely: "In a pluralist society we have to work with the people that we have."

He was also forced to admit that officers accused of human rights abuses but pardoned under the so-called Due Obedience Law last year, continued to serve as military instructors within the armed forces.

Other points that emerged in the debate were: General Cardil the chief of staff of the army, has visited the imprisoned heads of the former juntas in prison on several occasions, supposedly to review living conditions and inspect some repairs. Mr Jaunarena's explanation was greeted with ironic laughter in the House.

Documents were produced showing that the assassination of the head of the air force was planned during the military rebellion last month. There was no specific plot to kill President Alfonsín, but this was inferred as a possible consequence in the event of the assassination of the air force chief.

The Government is still uncertain if attempted homicide charges are to be brought against the rebel leaders, in addition to mutiny charges.

Mr Jaunarena refused to answer in public whether an armed conflict in the South Atlantic over the Falkland Islands continued to be part of the armed forces contingency plans.

Mr Jaunarena said negotiations were underway with the US for the lifting of a ban on arms sales to Argentina, "which is affecting the maintenance of equipment". He added that he hoped for a favourable outcome to negotiations.

Contra rebels in fresh round of ceasefire talks

BY DAVID GARDNER IN MANAGUA

NICARAGUA'S ruling Sandinistas and right-wing Contra rebels were yesterday due to begin a second round of direct talks in Guatemala City aimed at agreeing a ceasefire in their six-year-old war.

The first round of talks, at the end of last month in Costa Rica, ended with the Government insisting it would never talk with the Contras, but only with what it sees as the Contras' masters, the US.

It is understood, however, that a formula is being looked at whereby talks would take place between the Government and the Contras on the one hand, and between the Government and Nicaragua's internal opposition parties on the other. The talks would be separate but simultaneous, covering a ceasefire in the first case and the political reform agenda in the second.

Two guilty in juice scandal

By Roderick Oram in New York

TWO FORMER executives of Beech-Nut Nutrition, a US subsidiary of Nestle, the Swiss-based food group, have been found guilty of misleadingly angust water as pure apple juice. Most of it was drunk by babies.

Mr Nellis Hoyvald and Mr John Lavery, respectively Beech-Nut's president and vice-president of manufacturing, were found guilty on 448 charges by a New York City jury.

The jury also found not guilty and are to appeal. Two apples of the "chemical cocktail", as a former Beech-Nut scientist described to the jury the mixture of sugar, water, additives and a splash of apple juice, were also found guilty. The raw materials cost Beech-Nut 26 per cent less

Uruguayan to head IDB despite US reservations

BY ROBERT GRAHAM, LATIN AMERICA EDITOR, IN LONDON

MR ENRIQUE IGLESIAS, the Uruguayan Foreign Minister, has been named as the next president of the Inter-American Development Bank (IDB).

His appointment was championed by the major Latin American debtor countries but, until the last minute, the US Treasury remained cool to Mr Iglesias. He was seen as a threat to Washington's plans to assert greater control over the region's biggest multilateral lending institution.

Mr Iglesias, aged 57, is a former executive secretary of the United Nations Economic Commission for Latin America and played a key diplomatic role during the 1986 Uruguay Round of the Gatt. Despite the US Treasury's reservations about Mr

Iglesias, he was seen as head and shoulders above his rival, Mr Jaime Garcia Parra, a former Colombian Minister of Finance.

He inherits the IDB at a crucial moment. The countries of Latin America are pressing for a replenishment of funds that would double existing annual loans of \$2.4bn. Their foreign debts total \$370bn and they would like to broaden the IDB's role beyond project aid.

The antagonism between Latin America and the US has been underlined by departure last December of Mr Antonio Ortiz Meza, the outgoing Mexican president. He resigned partly because of the unilateral move by the US to place Mr James Cowart, assistant under-secretary for the Treasury, as vice-president of the IDB.

WORLD TRADE NEWS

French fail in bid to postpone Gatt meeting

By William Dullforce in Geneva

TRADE ministers will meet in Montreal in the week beginning December 5 to review progress in liberalising world trade, the Trade Negotiations Committee of Gatt's Uruguay round decided yesterday.

An attempt by France to have the meeting postponed until spring next year failed yesterday when the French delegation was unable to win support from the other 11 European Community members.

France had argued that it was pointless to hold a review in the dying days of the Reagan Administration in the "dirty war" in the 1970s, and an official policy of punishment for those responsible for the human rights abuses. He responded lamely: "In a pluralist society we have to work with the people that we have."

Mr Van Thien head of the EC delegation said the community would expect the principle of "globality", under which the result of the negotiations has to be treated as one inter-related package, would be observed.

Brussels attacks US in farm row

BY WILLIAM DULLFORCE IN GENEVA

THE EUROPEAN Community yesterday reacted angrily to the rejection by the US and other farm exporting countries of its proposal for emergency measures to ease strains on cereals and sugar markets.

Mr Guy Legras, the commission's director-general for agriculture, accused the EC's opponents of ignoring the market realities faced by farmers, whose co-operation would be essential in reforming world farm trade.

He warned that the community would not continue politically difficult efforts to improve its own farm regime, while other countries "watch, applaud and do nothing themselves". It was illogical for governments to talk of crisis in world agriculture while showing no interest in stabilising markets in the short term.

European anger was again expressed in the community's opposition to US attempts to speed up the pace of talks on farm trade reform at Gatt's Uruguay round. The EC refused to let the negotiating group meet again before April 18.

The storm blew up in the group on Wednesday, when the EC called for immediate discussions among the main cereals exporting countries to agree prices and quantities of bread wheat and feed grains to be placed on the market during the next marketing year. It also proposed ways of improving the situation on the sugar market. Stocks have reached virtually double the annual level of trade on what is considered the free market and prices are low.

UK ponders aid for Bosphorus bridge bid

BY PETER MONTAGNON, WORLD TRADE EDITOR

BRITAIN is likely to decide on the level of financial backing for the Trafalgar House bid to build the third Bosphorus bridge before Mr Margaret Thatcher visits Turkey in April, Mr Alan Clark, Trade Minister, said yesterday.

High level interest was being shown in the project, he said. Turkey was a very interesting country for British business, but it was also a lavish spender and several big projects were vying for official assistance.

When the Prime Minister goes to Turkey, she will be clear in her own mind how she wants to play it. It would be premature to set out a position before that, he said.

Trafalgar House said yesterday the Government had indicated it would offer a grant of \$61m for the project under the Aid and Trade Provision. This would reduce the cost to Turkey of Trafalgar's \$248m bid to a level close to that of Segal Turkes-Peyzil Akkaya, a local contractor.

Mr Clark defended Britain's decision to resume export credit cover for Nigeria in spite of its record on human rights. None the less, Europe's negotiators were shaken by the reactions this week of the US and the Cairns group of 13 farm-exporting nations led by Australia.

EC 'needs common trade view'

By Peter Montagnon

THE European Community would have to develop a more coherent external trade policy as part of its plan to introduce a unified internal market by 1992, according to Mr Renato Ruggiero, Italy's Trade Minister.

Citing car imports, he said individual countries had quota restrictions on Japanese vehicles which would no longer be relevant once the internal market was established.

Italy, which virtually excluded Japanese cars from its domestic market, could not unwind its quota system unless there was a common European policy on imports from Japan, he said during a visit to London.

Issues such as this had been largely neglected in the internal market debate, Mr Ruggiero added. He said the EC would also have to develop a common external approach in other areas. These included the treatment of imports from the newly industrialised countries and warding off any capital flight that might arise if fiscal harmonisation made external investment more attractive to residents of some countries.

The minister said this did not mean the EC would have to adopt a protectionist attitude but that a fresh and unified approach would be needed in its external trade relations.

Amoco wins \$383m UAE gas damages

BY A SPECIAL CORRESPONDENT

THE United Arab Emirates gas and petrol distribution company has been ordered to pay Amoco's Sharjah subsidiary \$383m damages for failing to pay for gas supplied to it.

However, the subsidiary of the Chicago-based oil multinational will have to hand over 80 per cent of the damages to the Sharjah Government in tax and royalty payments.

The award, by the International Chamber of Commerce, follows a claim by Amoco for non-payment of gas supplied to the Emirates General Petroleum Corporation (EGPC) from Sharjah's Saja gas and condensate field between August 1984 and September 1986. The corporation has 30 days to pay.

Theoretically, EGPC, which distributes refined products and natural gas in the northern emirates, is a federal government institution. In practice it has been entirely dependent on Abu Dhabi for funds.

The three-man arbitration panel awarded Amoco the amount of its claim based on the contract price of \$3.50 per million cu ft agreed in December 1982 plus interest, arbitration fees and legal costs. The full amount of the award, including payments due up to February 1988, is \$600m.

Taiwan's new trade temptations draw European interest

Problems with the US and exchange-rate shifts make the attractions mutual, reports Robert King in Taipei

EUROPE and Taiwan are discovering each other, in terms of trade and investment. Two-way trade between Taiwan and Europe last year was up more than 63 per cent to \$13bn, and economic co-operation between the island and several European countries is increasing, in spite of a lack of formal diplomatic ties.

Taiwan has seen its currency appreciate by more than 35 per cent over the past two years, decreasing the competitiveness of its exports in the US, its traditional market.

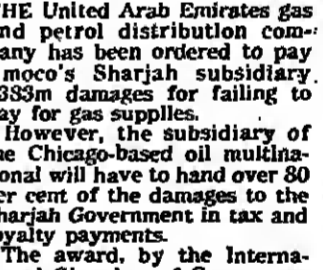
Moreover, the US has grown irritated at the huge deficits last year about \$16bn - it incurs in its trade with Taiwan. Thus, pressures have been building up Taiwan's exporters to diversify their markets - and Europe is a natural outlet.

At the same time, Taiwan's programme of liberalising its trade through tariff cuts and the like has helped European manufacturers to sell more goods there.

There is another force: simply that Europe and Taiwan have started taking a liking to each other after decades of neglect. Most European nations with Taiwan years ago in favour of China. Both Taipei and Peking claim sovereignty over all of China so only one could be recognised.

EC trade with Taiwan

Total trade (US\$bn)



According to Mr Chang, European consumer goods have become prestige symbols, whereas in previous decades Japanese and American goods held sway.

In January a group of European companies established the European Chamber of Commerce in Taiwan, a move that members said underscored the heightened role that Europeans can hope to play there in future.

Mr Wellington Tsao, Europe's secretary general, said: "Europe has awakened to this part of the world. They're beginning to realise that the era of economic development, which first moved from the Mediterranean to the Atlantic, has now moved to the Orient."

French win Chinese power plant deal

ALSTHOM, the heavy engineering subsidiary of France's Compagnie Generale d'Electricite (CGE), has won a \$1.6bn order for a coal-fired power station in China, writes Paul Betts in Paris.

The order involves the supply of equipment for two 350MW units for a coal-fired plant to be built in the western province of Sichuan. Charbonnages de France, the state coal group, will supply maintenance equipment.

The deal strengthens Alstom's position as a leading supplier of power plants to China. Last year, the French group won a \$1.3bn order for a coal-fired power plant involving two 330MW units at Langyuo.

Bae in Ansett deal

BRITISH Aerospace has won orders for two Type 146 four-engine regional jet airliners from Ansett W.A., the regional airline based at Perth, Western Australia, writes Michael Donne, Aerospace Correspondent. Ansett has two 146s in service, with a third on order. The deal, which follows the order for three 146s from Air BC of Vancouver, Canada, brings total firm orders for the aircraft to 114.

Indicators point to strong state of economic health

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

OFFICIAL figures showing a further sharp fall in the official unemployment total, an accelerating earnings growth and a surge in credit, underlined yesterday the extraordinary buoyancy of Britain's economy since last summer.

The confirmation that the economy has been expanding faster than at any time since the early 1970s heightened the Government's policy dilemmas over interest rates and tax cuts in the run-up to its March 15 budget.

The jobs total, seasonally adjusted, fell by 51,000 in January, the 18th consecutive monthly fall, according to the Department of Employment. The number of social security claimants, at 2.56m, is now the lowest for over five years and Government statisticians believe the total is falling at an underlying rate of 50,000 per month.

Less welcome for the Government, however, were figures showing that rapid growth in the economy is feeding into an acceleration in earnings. In the year to December, average earnings across the whole economy rose by 8 1/2 per cent, up from the rate of 7 1/4 per cent seen at the start of 1987.

Taken with separate figures from the Bank of England showing record growth in bank lending during January, the trends in unemployment and earnings suggest that last October's stock market crash has done relatively little to slow the economy.



That will strengthen the concern of the Bank of England that Mr Nigel Lawson, the Chancellor, should avoid pumping too much additional demand into the economy by making sharp tax cuts in the Budget.

Surging revenues in the current financial year have given Mr Lawson the opportunity to cut taxes by the largest amount since 1972, the year which marked the beginning of the "Barber boom", so named after the then Tory Chancellor of the Exchequer Mr Anthony Barber, now Lord Barber.

Neither the Treasury nor the Bank of England gave any direct indication of the implications of the latest economic indicators for interest rates. A Treasury spokesman said the official view remained that the economy was not overheating. Both retail and wholesale price inflation remained low and the pace of economic growth was expected to slow this year.

Despite the special factors responsible for part of the acceleration in bank lending, however, yesterday's figures are likely to increase official consideration of a rise in borrowing costs.

The private view among some officials is that, barring evidence of a slowdown in the economy in coming weeks, Mr Lawson will face a choice of either increasing interest rates or severely limiting his tax "giveaway" in the Budget.

Bank lending leaps by record £5bn

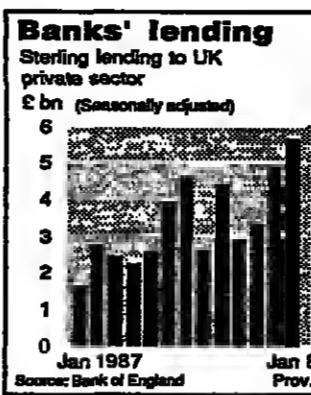
BY SIMON HOLBERTON

THE BANK of England yesterday sought to reassure financial markets by saying that last month's record £5.6bn surge in bank lending could have been distorted by a number of factors.

The authorities' quick response to yesterday's figures helped to take the steam out of market speculation of an imminent rise in base rates, although the three-month sterling inter-bank rate, currently at 9 1/4 per cent, is discounting another 1/2 point rise in interest rates.

The January rise in bank lending was the largest monthly increase in absolute and percentage terms yet recorded and compares with an average lending figure of £3.8bn for the previous six months.

The Bank took the unusual step of telling economics news agencies that the rise in lending may have reflected "interest rate arbitrage activity" - a reference to a practice known as "round tripping" whereby companies issue bills and deposit the proceeds with banks at a profit.



although the Bank's comments did serve to reassure the market and provide the basis for a rally later in the day. The figures showed that M3, the broad measure of money supply, rose by 0.5 per cent in seasonally adjusted terms in January. In the 12 months to the end of January M3 grew by 22.3 per cent in non-seasonally adjusted terms, a slight fall on the growth rate of 22.8 per cent in the 12 months to the end of December.

The rate of growth of M0, which measures the supply of notes and coins, declined by 0.3 per cent last month in seasonally adjusted terms. Over the 12 months to the end of January M0 grew by 4.8 per cent, up on December's annual rate of 4.2 per cent, but well within the Government's 2 per cent to 6 per cent target range.

Ford UK workers vote to end strike

By Charles Leadbeater

FORD'S 32,500 UK manual workers are expected to go back to work on Monday after a two-week strike. Ballots yesterday showed that about 70 per cent of workers wanted to accept a revised two-year pay offer.

In a 70 per cent turnout, 16,050 voted to accept the deal, with 6,759 against. Of the 21 plants, only the Dagenham, Essex, assembly plant, which employs 4,076 manual workers, rejected the deal, which is worth at least 14 per cent over the two years.

The company's assembly plants at Genk in Belgium, and Saarlouis in West Germany, as well as the tractor plant at Antwerp in Belgium, where production has been disrupted because of a lack of UK supplied parts, are expected to return to normal working early this week.

Thatcher opens way for far-reaching reform in Whitehall

BY HAZEL DUFFY

CIVIL SERVANTS are to be given more power to manage their departments on a day-to-day basis, as part of the Government's continuing programme to inject greater efficiency into the Civil Service.

The Government's decision follows a recommendation by her Efficiency Unit, headed by Sir Robin Ibb, a director of ICI chemicals group, that the executive functions of Government be carried out on an agency basis.

However, the proposals could herald far-reaching changes in the structure of the Civil Service by separating the management from the policy advisory role of senior civil servants. The plan is for several agencies with an element of freedom from Whitehall control to be set up.

Firm line held on budget cash

BY PETER RIDDELL, POLITICAL EDITOR

THE CABINET yesterday unanimously endorsed the Treasury's refusal to provide any extra new public money for the National Health Service in the March 15 budget.

Following the normal pre-budget discussion of the economic outlook, this message was underlined by the issue of a rare public statement from 10, Downing Street, the Prime Minister's residence.

It noted that increases of £4.5bn in public expenditure programmes for the coming year had already been decided and announced, while adding that "the Cabinet stressed that the forthcoming budget is an occasion to review taxation and borrowing."

Industrial investment up 3 1/2%

CAPITAL INVESTMENT in British manufacturing rose by 3 1/2 per cent last year, reversing the decline in 1986, but fell sharply in the final quarter of the year.

preliminary estimates it appears that there may be some slackening in manufacturing investment. In seasonally adjusted 1980 prices investment in manufacturing appears to have fallen throughout the last half of 1987. The apparent fall in the third quarter may be indicative of manufacturers' uncertainty in the wake of last October's step decline in share prices.

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UK NEWS

UK not facing new strike wave says CBI chief

BY PHILIP BASSETT, LABOUR EDITOR

SIR DAVID Nickson, president of the Confederation of British Industry, yesterday rejected suggestions that the current rash of strikes in Britain signalled a return to a period of more widespread strike action. His remarks coincided with new Government figures showing the number of working days lost through strikes was considerably higher last year than in 1986.

Sir David attacked over-reaction to the strikes at Ford and other parts of the car industry, in the health service, in the mines and on the ferries. He said talk of a "spring of discontent" and the return of the so-called "British disease" - a term coined in the 1970s to evoke the supposed readiness of UK employees to strike - had spread across the world.

Sir David said: "This presents a damaging and incorrect image of Britain, influencing potential investors in this country and putting sales in peril."

The current labour disputes were over unrelated issues, he said, and did not mark the reappearance of a "strike problem."

Figures on strike activity in 1987, published yesterday by the Department of Employment show an increase in both the number of days lost through strikes, and in the numbers of workers involved.



Sir David Nickson: reassuring investors

Strike activity in December was the lowest in 1987, with 38,000 days lost through strikes, involving 24,000 workers in 41 stoppages.

Pit deputies decide to continue overtime ban

BY CHARLES LEADBEATER, LABOUR STAFF

NACODS, the pit deputies' union, yesterday decided to continue its overtime ban over British Coal's 1987 pay offer of 4.2 per cent.

It is expected that the deputies - supervisors responsible for safety underground - will not carry out safety and maintenance work this weekend. This would delay the Monday morning start of production at several pits, for the third weekend running.

British Coal said it deplored the decision of the union's national delegate conference to continue the action, which it said was in breach of its conciliation agreement with the

union. However, the corporation did not suggest that the continued action would jeopardise next week's meeting of the industry's National Reference Tribunal.

The corporation said the referral to the tribunal was the proper way to resolve the dispute, and it intended to participate in the hearings.

It is thought that despite the decision to continue its action, Nacods will also participate in the hearings, although it has told the tribunal that it will only do so if the corporation withdraws threats of disciplinary action.

APPEAL JUDGES REASSESS RESPONSIBILITY FOR WATER WORKS DISASTER

Engineers held to blame for explosion

A FIRM of consultant civil engineers which designed and supervised the construction of a water pumping station in Lancashire, in the north of England, has been held solely to blame for a methane gas explosion there nearly four years ago in which 18 people died and 28 others were seriously injured.

By a 2-1 majority, the Court of Appeal in London yesterday overturned a High Court decision in March apportioning 55 per cent of the blame to the civil engineers, Binmie and Partners, 15 per cent to Edmund Nuttall, the builders of the £68m Abbeystead water distribution scheme and 30 per cent to the North West Water Authority.

The majority held that there was "ample evidence" of Binmie's negligence.

Binmie, which was ordered to pay the legal costs of all parties, was refused leave to appeal to the House of Lords,

but intends seeking leave from the Law Lords themselves.

The dissenting judge, Lord Justice Bingham, absolved all three defendants from blame. He said that there was nothing to support a conclusion that ordinarily competent engineers in Binmie's position would, by the time of the explosion, have been alerted to any risk from methane of which they had been reasonably unaware at the time the station was handed over to the water authority.

If the Law Lords were to agree with that view the survivors of the disaster and the families of those killed would have no way of recovering damages, which have been put at more than £3m.

The victims were local residents invited by the water authority to inspect the plant to allay their fears that flooding might result from the scheme to pump water from the River Lune to the River Wyre. The allegation against Binmie

was that it should have anticipated the presence of methane in a tunnel that was part of the system and should have tested for it more efficiently during construction.

Lord Justice Russell, with whom Lord Justice Fox agreed, said he had no doubt that Binmie should reasonably have foreseen the creation of a void contaminated with methane in potentially explosive quantities.

"This was an accident of the precise type that Binmie should have foreseen," Edmund Nuttall, he said, undoubtedly owed a duty of care, which included testing for methane, while it was constructing the tunnel. The long term effect of the methane, however, was the responsibility of Binmie, whose duties went beyond the construction of the tunnel and involved the exercise of reasonable care in the design of the system to ensure, so far as was reasonably practi-

cable, that it was safe.

Acquitting the North West Water Authority of any blame, Lord Justice Russell said that on the day of the explosion the authority had had no reason to suspect that Binmie had failed to fulfil its obligation to supervise the construction of the tunnel.

Lord Justice Bingham said that Binmie was entitled to a clear statement that it was not guilty of professional negligence at the design stage of the project. Although the firm had failed to insist on satisfactory methane testing during construction, that it did not make it liable in damages to the victims.

The possibility of visitors being injured by an unforeseen methane leak after the work was completed could not reasonably have been foreseen.

Lord Justice Bingham spelled out the standards the law required of a professional man.

He must, the judge said, bring to any professional tasks no less expertise, skill and care than other ordinarily competent members of his profession would bring, but need bring no more.

"The standard is that of the reasonable average. The law does not require of a professional man that he be a paragon, combining the qualities of polymath and prophet."

It was, Lord Justice Bingham said, easy and tempting to impose too high a standard in order to see that innocent disaster victims were compensated by the defendants' insurers.

"Many would wish that the right to recovery in such cases did not depend on proof of negligence. But so long as it does, defendants are not to be held negligent unless they are in truth shown to have fallen short of the standards I have mentioned."

Sharp rise in fraud by top earners

By Our Parliamentary Staff

TAX FRAUD among Britain's high-income earners appears to have risen sharply since 1979, despite the sharp cut in the top rate of income tax announced in that year.

In a reply to a parliamentary question yesterday the Treasury said that while the number of inland Revenue prosecutions involving large amounts of money had increased by up to 600 per cent since 1979, cases involving small amounts had fallen.

In 1979 there were only three cases involving the recovery of amounts between £100,000 and £500,000, but by 1986 the number had risen to 18. Cases involving fraud of between £50,000 and £100,000 jumped from one to 25 over the same period.

By contrast, prosecutions covering amounts of less than £5,000 fell from 88 to 27.

The increase at the top end of the scale is said to reflect in part stricter enforcement by the Inland Revenue.

DBS fears the low-cost challenge

BY RAYMOND SNOODY

"IF THE British Government were to decide to launch a fifth television channel its forward shadow could create great uncertainty for DBS (direct broadcasting by satellite), Mr Ivor Cohen, former managing director of Mullards, the Philips microchip subsidiary, said yesterday.

Speaking on the third day of the FT Cable and Satellite Conference in London, Mr Cohen, the conference chairman, warned that cable and satellite entrepreneurs faced enormous financial risks because of competition from less costly technology such as terrestrial television.

Despite being a long-term enthusiast for both DBS and cable, he said, the reality would be that most consumers would get a better chance of greater variety from new terrestrial channels and from MVDS - local microwave television channels.

Mr Jon Davey, director general of the Cable Authority, said that after years of difficulty there might now be a rush into cable. "But I do find it sad that the pace of development here should be determined by investors from North America rather than by recognition in the British financial community of the future that cable offers in Britain," Mr Davey said.

To encourage the spread of cable, the Government should remove the prohibitions on foreign ownership, allow MVDS to help fund cable and reduce the costs of cabling by allowing operators to use existing British Telecom telephone ducts.

Mr Roger Marshall, managing director of East London Telecommunications, which holds the cable franchise for the London Boroughs of Tower Hamlets and Newham, said that in recent months 20 per cent of those homes passed by cable in the area were subscribing.

stream of new energies. No one should have a permanent franchise in the future like the franchises that were issued in the past," Mr Graham said.

A considerable transfer of skills out of the BBC and the Independent Television companies into self-employment was needed to create an independent production sector based on excellence.

Mr Alec Kenny, media director of Saatchi & Saatchi Advertising said that satellite television had only won a 0.35 per cent share of the estimated

not only increased brand awareness in cabled areas but also led to significant sales increases.

With the exception of some companies such as Philips European companies were still slow to recognise and exploit regional or global marketing strategies despite the European Commission's determination to create a single market by 1992.

Mr James Styles, managing director of Sky Channel said that Sky's top advertisers were consistently spending more advertising with the channel and revenues this year would rise by 25 per cent.

Satellite television would continue to grow by winning access to more countries, by seeking more viewers by programme development, through the proper selection of a common satellite for all the channels and the continued education of advertisers, "who have not yet recognised the special place of satellite television."

Mr Mark Booth, managing director of MTV Europe said that the success of satellite channels depended on "super-serving" segments of the television audience - those who watch sports, children's or music channels. Advertisers in turn knew where to reach the viewers likely to be interested in their products.

Financial Times Cable and Satellite broadcasting conference

As many as 95 per cent of subscribers were buying the more expensive packages of programmes at £19.95 and £24.95 a month. The company would offer a telephone service through Mercury, the only company licensed to compete with British Telecom, by the autumn.

Mr David Graham, chairman of Diverse Production, the independent production company, said increasing competition was needed in the broadcasting industry for the sake of diversity as well as efficiency. "The broadcasting business must be open to a continuous

total television advertising revenue in Europe last year of \$8.3bn. But much of the pioneering work had been done by Sky and Super Channel.

As more satellite channels are launched, penetration will grow, more people will watch, and an increasing number of pan-European advertising campaigns will be created as more companies take a global approach," Mr Kenny said.

Mr Richard Hooper, managing director of Super Channel said he had an increasing amount of hard data to show that pan-European advertising

Yamazaki to sell UK machines in Japan

By Nick Garnett

YAMAZAKI, the Japanese machine tool manufacturer will begin exporting lathes and machining centres to Japan this month from its production site in Worcester, in the English Midlands.

Mr Les Pratt, the company's marketing manager in the UK, said the site's production schedule was geared to exporting up to 25 machines a month to Japan. Worcester has already begun exporting to the US.

The company announced last year that it would probably begin exporting machines to Japan. One of the main reasons, it said was the strength of the Yen.

"Demand in Japan is also very high so that is helping us to rack up the production at Worcester quite quickly," Mr Pratt said.

The Worcester site, which came on stream last year produced 224 computer numerically controlled machines in 1987. Its output will have risen to about 70 machines a month by the end of this year.

Total output in the UK last year of CNC machines, excluding Yamazaki's production was about 2,600 units. When Yamazaki's output is added it means that the Worcester site will soon be accounting for about one fifth of all UK-made CNC machines.

The machines exported to Japan include some Japanese-made high value added components. These include controls, servo drives, and motors for most machines.

However, the company is using an increasing amount of European, and mainly UK components. It says about 65 per cent of its production is local content, using the broad definition which includes wages and factory operating costs at Worcester. Some of its machines have a higher local content.

Components sourced in Europe include all machine castings, sheet steel, hydraulic packs, bearings and ball screws.

Yamazaki's Worcester plant, built at a total cost of more than £35m, including £12m worth of cost grants, has employed some UK and continental machine makers already operating in a crowded market.

About 85 per cent of Worcester's output is being exported, mainly to continental Europe.

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The Mercedes-Benz S-class sets standards for big car aerodynamics yet to be met by most of the competition. The long wheelbase version not only sets the standards for driver and passenger comfort but also performance. Take the 560SEL for example. With a maximum test track speed of 156mph and a 0-62mph time of 6.9 seconds, it still leads the field (regardless of engine size and number of cylinders).

To this day, no other range of cars offers the same combination of spaciousness, comfort, handling and performance. Only the S-class is big enough to be an office yet lively enough to satisfy five of the world's top ten formula one drivers.* Not only is it a match for its contemporaries, the build quality, reliability and retained value are legendary. The S-class features 'mature' electronics based on logical need rather than fashionable gimmickry. The interiors are sumptuous yet they contain nothing superficial.

*The other five drive Mercedes-Benz coupes or the 190E 2.3 16.

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The S-class owner belongs to a very demanding coterie of drivers. These are men and women who expect a luxury car to measure up on all fronts at all times. They need total reliability, an effortless driving experience, the reassurance of Mercedes-Benz build quality and the satisfaction of knowing that their car will not depreciate at an alarming rate. They also know that the safety standards achieved in the S-class are the result of constant research and development by the same engineers who invented the passenger safety cell and controlled-deformation crumple zones.

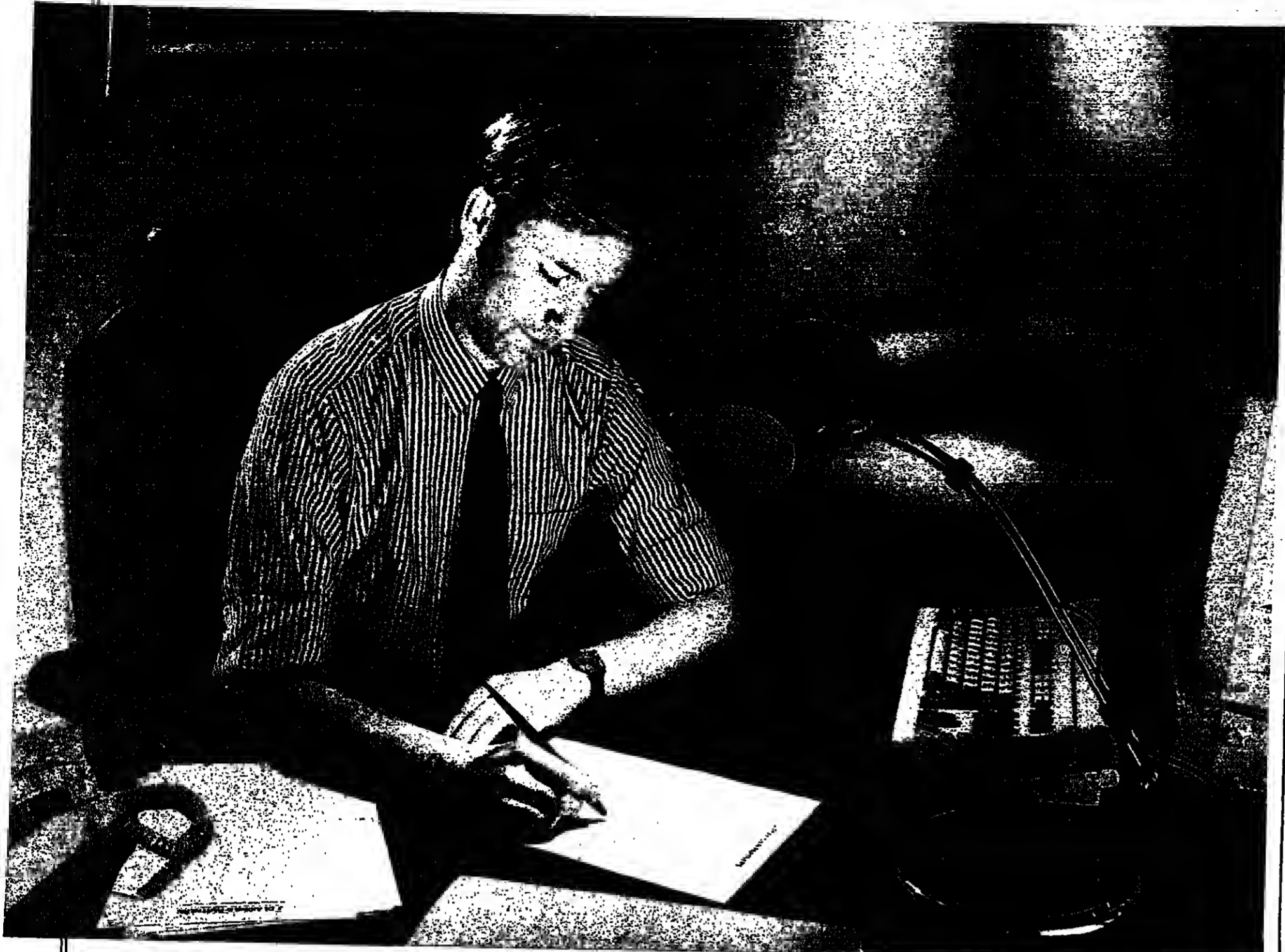
The S-class is more than one car. It is six cars -- with a state-of-the-art 3 litre (SE), single overhead camshaft six cylinder engine and 4.2 or 5 litre light alloy V-8's with a standard (SE) or long wheelbase (SEL) to choose from. At the top of the range there's the 5.6 litre 560SEL.

It could also be said that the S-class is twelve cars because each of the six models is as much a driver's car as it is a passenger's car. By giving his chauffeur the day off, an S-class owner can enjoy the way his car devours country lanes with the same ease as it swallows motorways.

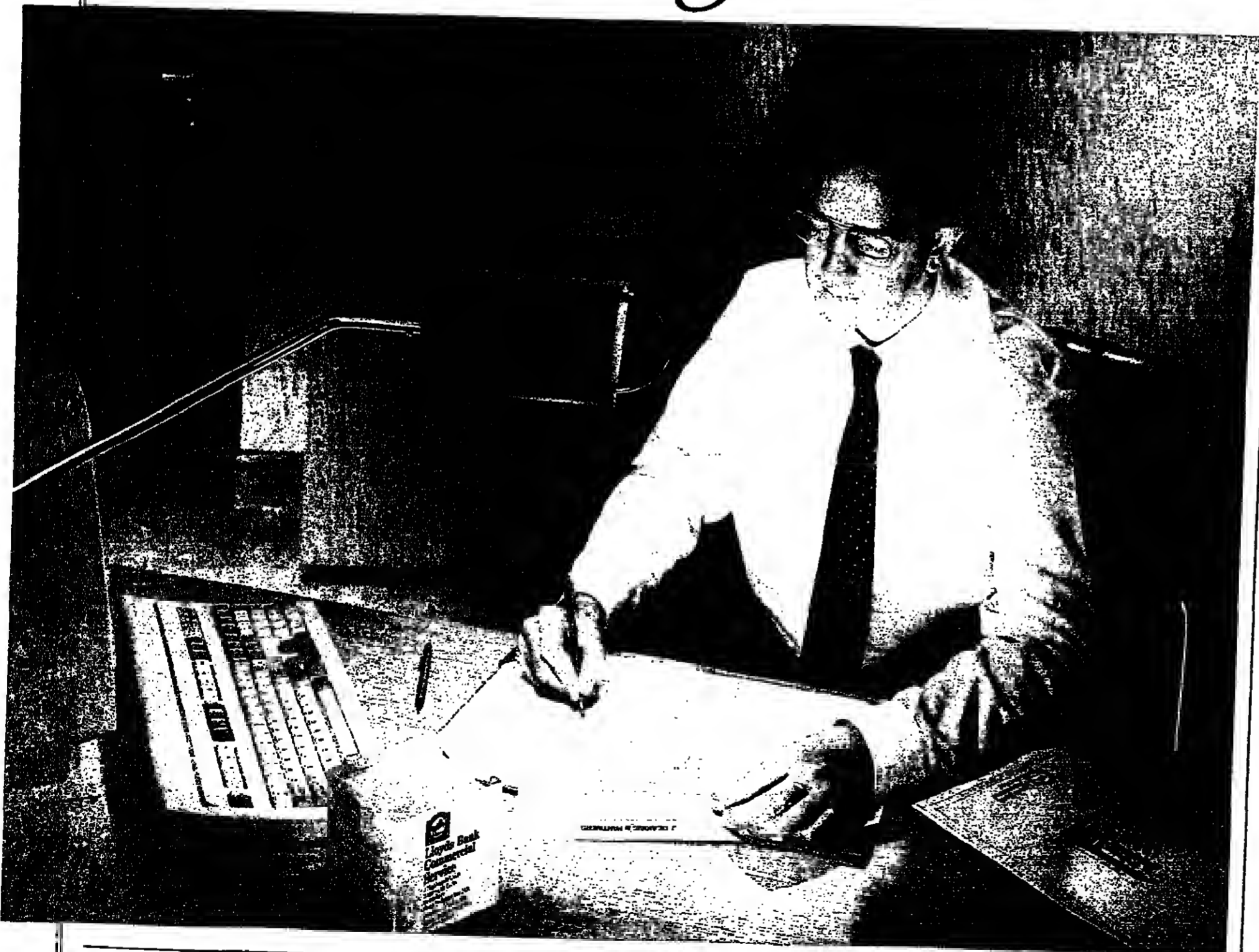
The Mercedes-Benz S-class driving experience is unique because these cars are in a class of their own. *Autocar* couldn't have put it better when they said on 18th November, 1987, 'Once you have sampled Mercedes S-class motoring to the full it is difficult to imagine travelling in a higher degree of comfort or style.'



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1988/2/19

THE PROPERTY MARKET BY PAUL CHEESERIGHT

Partnership issues in the inner cities

TIM PEARCE has been in Hartlepool this week - not the most obvious place for a Bristol-based executive to be. But it is less surprising given that his company, Pearce Developments, has decided to break out of the west and Wales and embark on developments in the inner city areas of the Midlands and the north.

Pearce Developments is not the first company to recognise the opportunities of derelict land reclamation. "If somebody can pump prime, you open up vast tracts of land," says Mr Michael Rose, a Pearce executive. By pump priming, he means making certain that decent communications and infrastructure are provided for these areas, which have increasingly been the subject of Government attention.

This widely accepted view is based on the notion that the reclamation of rundown urban areas should be carried out by a partnership of public and private sectors.

On the public side of the partnership, the Government has in some areas by-passed the local authorities to create urban development corporations. Yet for this side to move forward, the corporations sometimes need to work with other public bodies.

The private side will only work if there are companies willing to invest.

On the public side, the first thing to be said is that London Docklands, although held up by the Government as an example of property regeneration, is either a model for what can happen elsewhere or typical of relations between public bodies.

It is not a model because it has been able to feed off the boom in the City of London and the south-east. It is not typical because the antagonism between development corporation and local authority is not repeated elsewhere.

In Cardiff, for example, there is sufficient identity of interest between the two types of public body for planning control to be retained by the local authorities. At Trafford Park, the development corporation sprang out of a report which the Salford and Trafford councils had helped to write.

"We've got to act as an enabling body," says Mr Michael Shields, the corporation's chief executive. If the development corporation owns the land on which a private sector project is to take place, the role of other public bodies is not crucial. But, he says, if the project needs highway

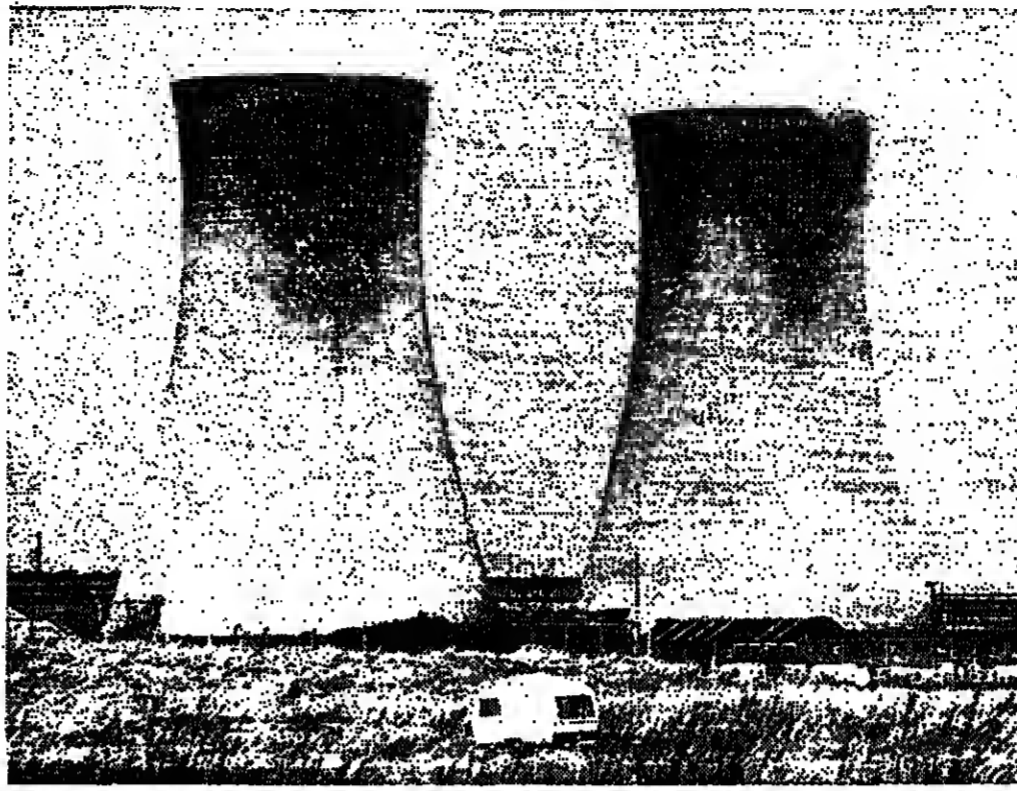
support, sewage, water or other facilities, their role is significant.

From the property company's point of view, development corporations can make life easier - precisely the Government's intention. Property companies frequently have as jaundiced a view of local authorities as it does.

Two preliminary observations can be made about the private sector side of the partnership. First, property companies like certainty; they want to know the rules of the game. Second, as Sir Nigel Mobbs, chairman of Slough Estates, says: "It is too easy to assume that the solution (of inner city problems) lies in increasing construction activity, rather than in recreating inner city vitality from encouraging personal involvement and general economic activity."

Retail development is the most obvious example. It involves property companies in the "general economic activity" of the inner city and is a vital ingredient in providing jobs and attracting people into the area.

The major property investment companies have generally held back from regeneration projects in the rundown urban areas covered by the



development corporations. But they are significant property owners in town centre shopping areas.

These investment companies may be holding back from spending. They are uncertain about the outcome of the avalanche of planning applications for out-of-town shopping centres.

Land Securities, the biggest

of the investment companies, has shopping centre plans in towns like Coventry, Liverpool and Dundee. "We have shopping centres we want to regenerate, but with the threat over our heads (from out-of-town plans) in places like Manchester, we've said no," comments Mr Peter Hunt, the chairman.

The investment companies have also been worried about

the viability of development projects. And the same is true of the property-investing financial institutions.

The institutions have not been prepared to take the risks involved in inner city projects. Often they do not have the expertise to separate the risks from the opportunities. The result is that the development companies have

Private, not public says Teesside

ICI COOLING towers loom over the empty land of Teesside. With 20,000 acres in its area, the Teesside Development Corporation has more land than it knows what to do with.

Land prices are around £30,000 an acre, about a third of the level in Cardiff and a quarter of the level in Trafford Park and a mere fraction of those in London Docklands, meaning that the Teesside Development Corporation can expect little in the way of revenues from sales.

This has led it to adopt a new approach. Desperate to draw in the investment to create jobs, it is trading off its contributions to private sector developments for a share in the revenues.

"The future of Teesside does not rest on public

investment. We aim to create confidence to the point where public investment is no longer required," says Duncan Hall, the Corporation's chief executive.

Thus, in exchange for a rental guarantee for a fixed term on an industrial estate, the Corporation would negotiate a premium, and then a share of the profits over and above the return the developer would expect.

This sort of approach would work with Brookmount which plans an £80m investment at the old Stockton Racecourse to provide 1m sq ft of retail and leisure facilities.

Subject to the Environment Department's approval, the Development Corporation has formally agreed to support Brookmount. It will meet the infrastructure cost, but will claw back a proportion later, and it will also take a share of the venture's profits. The same sort of thing will happen at Hartlepool's planned marina.

removed, if developments are being managed by specialists," says Mr Alan Porter, deputy chairman. If the company is successful, it will help establish a pooled fund for inner city projects. Apart from direct individual institutional investment, ICE is one of the few channels through which pension funds can become involved.

This may change in the long term. Institutional funds are behind a company called Inner City Enterprises (ICE), which is seeking to prove that these projects can make safe investments.

"The risk is narrowed,

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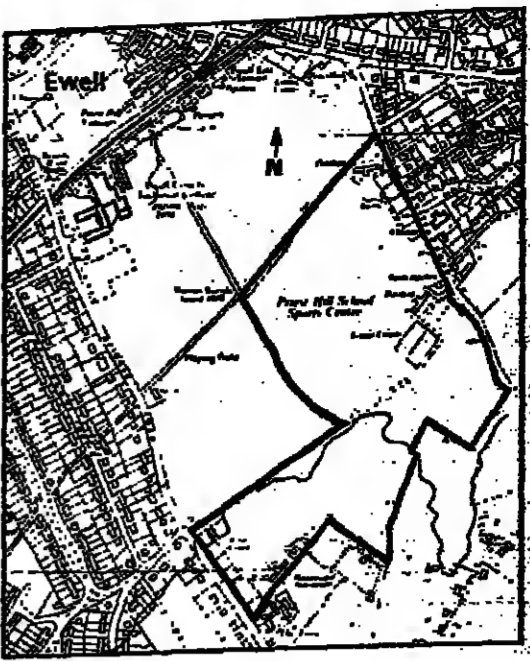
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Legal Notices

No. 007076 of 1987
 IN THE HIGH COURT OF JUSTICE
 CHANCERY DIVISION

IN THE MATTER OF DOWA INSURANCE COMPANY (U.K.) LIMITED and IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 3rd day of December 1987 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £2,000,000 to £4,000,000.

AND FURTHER NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Henry Davies at the Royal Courts of Justice, Strand, London WC2A 4LL on Monday the 22nd day of February 1988.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said petition will be furnished to any such person requiring the same by the undersigned Solicitor on payment of the registered Charge for the same.

Dated this 17th day of February 1988
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 London EC3R 5EN
 Telephone: 01-629-2011
 Ref: PAT/16
 Solicitor for the above named Company

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 Current Gross Income £ P.A.

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BOLTON , 271 Wilson Road, Greater Manchester Freehold Retail Investment. Corner location in Suburban Street.	3,000
BURTON , 10 & 12 Queen's Road, Burton Freehold Retail Investment. Adjoining the Berkeley Shopping Centre and opposite the University.	65,000
BURYTON 2891, 449 Buryton Road, Greater London Freehold Retail Investment. Prominent Corner location on A22. Close to Brixton Underground Station.	34,500
CHRYSE , 24, 26 & 28 Market Street, Cheshire Freehold Retail Investment. Prominent Town Centre location, opposite Doctors and H. Street.	42,500
EDMONTON , 116, 172 & 172a Fore Street, Greater London Freehold Retail Investment. Busy Shopping Location on A101.	28,500
GLASGOW , 42 Blyde Street, Cheshire Freehold Retail Investment. Busy Suburban High Street.	4,500
GOLDERS GREEN (NW7) , 628 Finchley Road, Greater London Freehold Retail Investment. Prominent Corner location close to Bus and Underground Stations.	20,000
GORLETON-ON-SEA , Colchester Road, High Street, Norfolk Freehold Retail Investment. Prominent Corner location on A206.	15,000
GREENWICH SE14, 196 & 198 Walpole Road, Greater London Freehold Retail Investment. Prominent Suburban location.	18,200
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HOLLINGHAM M2, 470 Holloway Road, Greater London Freehold Retail Investment. Prominent High Street location, Near Marks & Spence.	31,000
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NEWCASTLE-UPON-TYNE , 33/35 St. Georges Terrace, Jesmond Freehold Retail Investment. Prominent in Suburban Parade.	12,500
ST. LEONARDS-ON-SEA , 32 & 37 London Road, East Sussex Freehold Retail Investment. Prominent in Pedestrianised High Street.	9,750
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WYCCOMBE MK14, 751 Green Lanes, Greater London Freehold Retail Investment with Vacant residential upper parts. Rent review 1992.	9,000

2 Lots leased to and occupied by other traders producing a Current Gross Income of £32,975 p.a.

NEATH , 7 Water Street, West Glamorgan Freehold Retail/Office Investment let to National Provincial Building Society. Rent review 1992.	14,750
NEATH , 10 Wind Street, West Glamorgan Freehold Retail Investment occupied by Fisher Bros. Rent review 1992.	19,225

For further information contact our Auction Personnel.

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Any enquiries should please be made to the undersigned, attention of Mr M Nagao or Miss P Thorne.
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By: **CITIBANK, N.A., LONDON**
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THE COLNE VALLEY WATER COMPANY
NOTICE IS HEREBY GIVEN that the Transfer Books of Ordinary and Preference Shares will be CLOSED for one day only, 1st March 1988 for the preparation of dividend Warrants payable on 1st April 1988.
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MANAGEMENT

Leisure and sportswear

The going gets tough so Adidas gets going

Andrew Fisher explains the W German group's strategic rethink

"WE HAVE TO get away from the somewhat antiquated blood, sweat and tears image," says René Jaeggi, chairman of Adidas. Instead of the muddy football boot with its familiar three-stripe logo, the West German sports shoe and clothing group seeks a different appeal. "Adidas," asserts Swiss-born Jaeggi, "will appear younger, more fashionable, and fresher."

Not that the amiable, stockily built Jaeggi is averse to raising some perspiration himself. He tries to put in 45 minutes exercise a day of running, weight training - "or anything that makes me sweat." But it is not pounding feet or tensed muscles that characterise today's market. More and more, it is the leisure area which determines success or failure in the industry.

For the world market in sports shoes and clothing has become tougher. It changed drastically after Reebok, a company of British origin with its shares quoted in the US, entered the scene a few years ago. It left rivals behind when it swept to prominence in America with its fashion-oriented shoes of soft leather, drawing inspiration from aerobics and appealing strongly to women.

Reebok discovered females," says Jaeggi. Before, they had not really been regarded as a separate part of the market. The white sports shoe, derived from tennis or athletics, has given way to bright colours. Actress Jane Fonda's promotion of aerobics helped. Adds Jaeggi: "A new product was created. It was actually a very simple idea, but excellently and consistently marketed."

The changed trading climate has provoked a number of changes at Adidas. It now plans to make its marketing more innovative, to establish a sharper focus on different market sectors and to introduce more leisurewear-oriented designs. Responsibility for products will be pushed down the line to managements

in key markets and production will be reorganised to reduce the amount of in-house manufacture. The company was aware of the need for change before Jaeggi assumed his present role. Former chairman, Horst Dassler, son of the company's founder, recognised that Adidas was losing out to competitors. But in April last year he died, at the age of 61. Jaeggi was chosen as his successor in October.

He is an unusual choice. He is not a member of the family, he came from outside the industry and, at 39, is unusually young to be the chairman of a German concern. The new marketing thrust is reflected in Adidas's latest catalogues. The one for tennis clothing shows white shirts with snazzy designs on the cover. For shoes, the approach is more functional, with strong emphasis on sporting features. More eye-catching is the brochure on its Take Off collection of teenage clothes - a saxophonist in a

Responsibility for products will be pushed down the line

yellow top and green trousers plays a duet with a girl guitarist in a red jump suit and blue and white shirt. "The further you move away from traditional sports products into the leisure and fashion area, the more different rules apply," says Jaeggi. "It is totally wrong to say, 'we've done it this way in the sports sector, we have the experience, and we can transfer this competence to other market segments.' We have to be clearly aware that all these segments have their own market laws."

As heads of German companies go, Jaeggi seems different enough to have a potentially large impact on Adidas and the industry. After studying judo and Japanese in Tokyo and marketing in Swit-

zerland, he worked in the US, Japan, and Europe for such disparate US concerns as W.R. Grace, R.J. Reynolds, and Dart & Kraft. Before becoming the first Adidas chairman outside the Dassler family he headed the company's marketing and distribution activities.

Jaeggi's relative youth, allied to his previous marketing experience, should give him a feel for the sectors Adidas is aiming at more determinedly. Intriguingly, the rival Puma group, owned by another branch of the Dassler family and based in the same north Bavarian town of Herzogenaurach, also has a new family chairman, Hans Woltchaezke, from the ski industry.

Both have a big challenge on their hands. Puma plunged into the red in 1986, having failed to keep pace with rapidly changing trends in the US. This was in the same year that the company had its preference shares listed on the stock market. In the Olympic year of 1988, Puma expects to break even again. Forgotten are the days when the company existed in virtual enmity after Rudolf Dassler left his brother Adi, the founder of Adidas, to start Puma 40 years ago.

Adidas has felt the blast of competition in the US less painfully than Puma, which has also not been helped by the fact that former Wimbledon tennis champion, Boris Becker, with whom it has a costly contract, is not winning matches these days. In contrast, Adidas has contracts with such tennis stars as the more successful Steffi Graf and Ivan Lendl.

Nonetheless, in the US the view of Alice Ruth, footwear analyst with Montgomery Securities of San Francisco, is that Adidas needs a more focused image. "The environment is increasingly competitive," she says, and reckons Adidas has faded as the race has heated up, with US producer Nike also improving its products and marketing in the



René Jaeggi: "Adidas will appear younger, more fashionable, and fresher"

wake of Reebok's onslaught. The German company should establish itself very strongly in one sports category, says Ruth. "Adidas was never the running shoe, the basketball shoe, or the tennis shoe. It's a little bit of everything and not a lot of anything."

Events in the US, now a \$3bn a year market in sports shoes alone, clearly shocked the German companies. They had grown used to succeeding with shoes that were tough and functional rather than colourful and eye-catching. Yet some 70 per cent of Adidas's turnover - down by about 3 per cent last year to DM3.9bn (\$2.5bn) as output and product range were trimmed to save costs, and the weak dollar hit the D-mark total - is in the leisure sector. "People buy tennis shoes as leisure wear, without ever taking them onto the court," notes Jaeggi.

How does Jaeggi intend to react? Clearly, the old centralised way of doing things is over - at both Adidas and Puma. Speed and flexibility are now required. "Both of us," notes Jaeggi of himself and Woltchaezke, "have the luck of the moment in that we can implement things that do away with old structures."

Adidas has already responded by buying back US distribution rights and stocks

from its four agents at a cost of some \$100m. This was to enable it to trade more flexibly and be faster on its feet. Puma has also moved, belatedly, to exert more control over distribution and has had to write down its US stocks. Adidas is also setting up new design and development teams inside key markets like the US and Japan, cutting

Clearly, the old centralised way of doing things is over

back on the 2,000 shoe products sold by the company worldwide (over 500 in Germany alone), and farming out more production to lower-cost countries in the Far East, Eastern Europe, and South America. Adidas makes 30 per cent of its production, far more than Reebok, Nike, or Puma. Jaeggi aims to halve this. Shoes and clothing each account for some 45 per cent of sales, the rest coming from equipment such as rackets.

The company has begun to tighten its marketing and design activities to fit in with differing market trends in the US, where fashion is vital, Japan, where foreign fashions mix in with local tastes, and Europe, where needs differ between the sunnier south and the colder north.

It has also shed 1,300 workers in Germany, bringing the domestic workforce down to 2,600. Worldwide, it employs 10,700. Jaeggi's aim is to lift world turnover to around DM6bn, that in the US to \$600m from the present \$320m, and the Japanese total to ¥50,000bn (\$407m), double the 1987 level. Adidas does not reveal profits, but Jaeggi says they have been rising. He aims for a 5 per cent pre-tax return, which would be DM250m on his targeted sales.

While striving to steer Adidas rapidly onto a safer course, Jaeggi expresses admiration for Reebok. "It's a pity it happened in our sector but it is enormously important that you have Reeboks and Apples, companies that come from nowhere and show that something is possible."

He also believes in heroes, lamenting today's lack of sports idols like boxer Mohammed Ali or footballer Franz Beckenbauer (both incidentally past wearers of Adidas shoes) or cyclist Eddie Merckx. Maybe the pendulum will swing back.

More than just bricks and mortar

Paul Cheeseright on land resource management

INDUSTRIAL companies tend to use property as a place to do something in, not as a product which has its own costs or as an asset which has its own opportunities. If they want a site, they lease or buy it. If they get rid of it at the going rate...

Habits of production and storage in a company often grow up haphazardly, so that the use of space is often uneconomic. More sites may be used than are justified by their activity.

"Engineering companies are typical," says Thomas King. They are tied up with their day-to-day business. They have not got the time to consider the assets they are sitting on. They only look at property when they are in trouble."

He should know. He was in the engineering business for 15 years and dabbling on the side, in a personal way, with property. His creation, Co-ordinated Land and Estates (CLE), is his attempt to marry the two.

If it becomes possible to look at a business in its totality, relating space needs and their location to where the sales are going, establishing where space is being used economically, and then finding a use for the surplus land, then the industrial and property disciplines merge.

CLE, then, has set itself up as a company property doctor, different from a chartered surveyor in that the property opportunities it will identify will spring out of its study of a company's production processes. Chartered surveyors see themselves as property people, not management consultants.

The first task for CLE, on winning a commission, is to conduct a property audit against the background of a study of the company's products and production. "I effectively get on my bike, talk to the management, and see what their problems are," says King.

That could take eight weeks, but once done could show where property might be used more effectively, that is, where its different use could produce a profit for the owners.

An audit done for Cape Industries, part of the Charter Consolidated group, threw up 165 spare acres on the M25, an area favoured by property developers. Another, for John Howard, a civil engineering company which later went into receivership, found an under-used plant yard on the Medway, partly in an Enterprise Zone. Yet another, for Lake and Elliott, the steel foundry concern, before it was taken over by Suter in 1985, revealed a site near Braintree used to store obsolete material.

Once surplus land is found or created through the consolidation or elimination of an operation, CLE offers to set up a joint venture with the industrial company to exploit it. CLE does the development, raises the finance, and the industrial company takes a share of the profits.

In the Cape case, there was no venture because further study showed that access to the site was poor. John Howard shifted its plant to land outside the Enterprise Zone, and an industrial park was created, helped by the tax allowances, inside the Zone. Lake and Elliott disposed of the obsolete materials and the land was freed for 18 starter units.

Enhancement

CLE makes its money out of the developments. It charges just the cost of the property audits. When the process runs through to a profitable conclusion, the industrial company takes the gain from an enhancement of the value of the land it owns, rather than just selling it on for somebody else to take advantage of the added value. It might also have rationalised its production by using its sites in a more coherent way.

King sees his role as that of a co-ordinator, bringing in specialists as they are needed. The results of his attempt to create a multi-disciplinary niche in the market with three people (still only three with £1.2m profits) were pre-tax profits of £12,000 in 1985, rising to £80,000 in 1987 and an expected £1.2m this year.

GRANVILLE SPONSORED SECURITIES table with columns for High, Low, Company, Price, Change, Div (p), % P/E, and YTD % P/E. Includes companies like Ass. Bk. Ind. Ord., Ass. Bk. Ind. CUS, and B&B Design group (US&M).

American Express Bank Gold Card Overdraft Account advertisement. Text: "With effect from 19 February 1988 the rate of interest applicable to American Express Bank Gold Card Overdraft accounts has been increased to 1 per cent per month, and the Agreements with all holders of such accounts will be so varied. Effective Annualised Interest Rate 12.6 per cent"

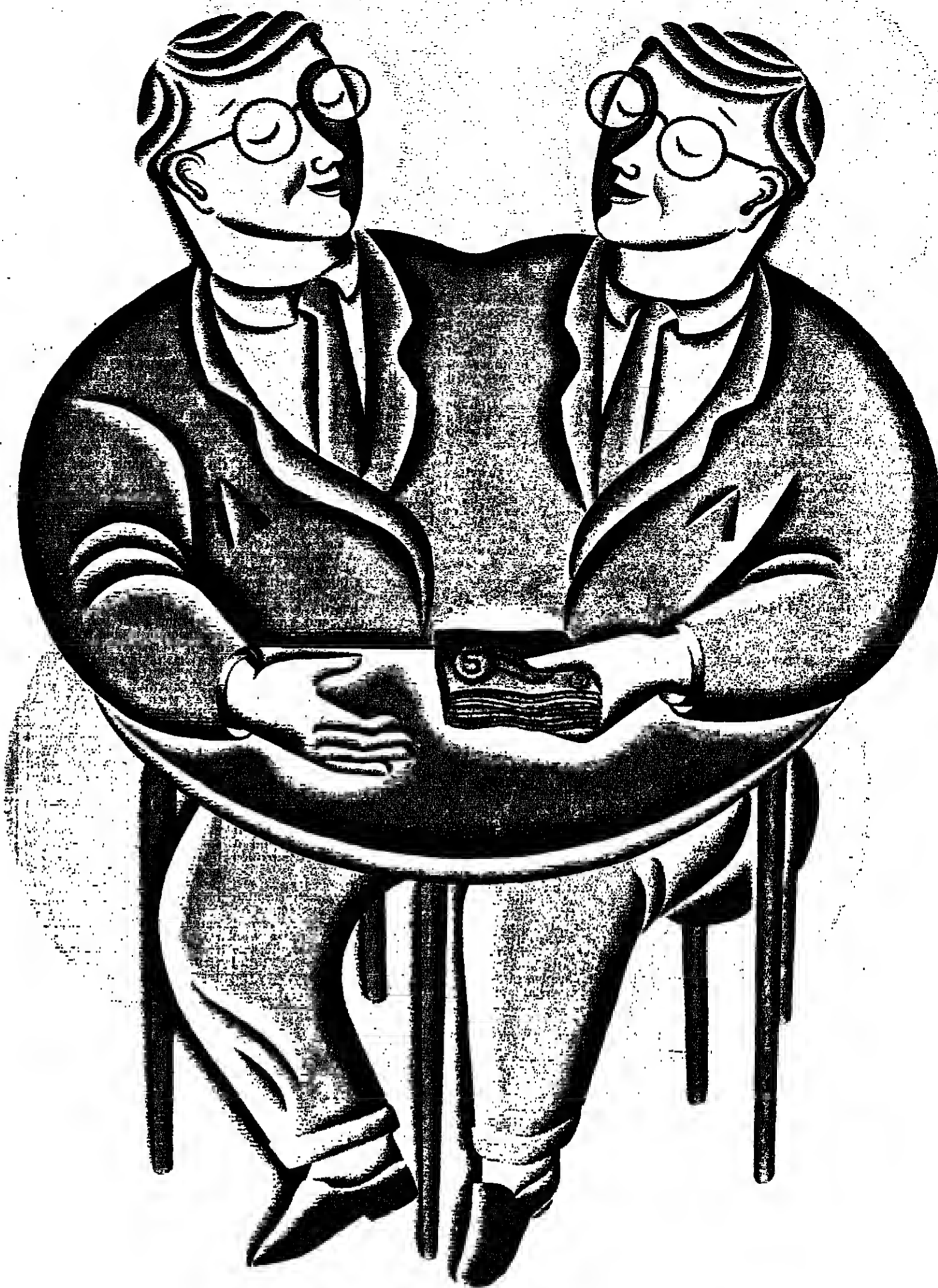
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Announcements section. Text: "CHEMICAL NEW YORK CORP SUBORDINATED DEBT NOTES DUE 1997. In accordance with the provisions of the notes, notice to hereby given that for the interest period from 19 February, 1988 to 19 May 1988 the notes carry an interest rate of 7 per cent. The interest payable on the relevant interest payment date, 19 May 1988 against coupon No 13 will be USD\$75.00 per USD\$100.00 note. Agent Bank Chemical Bank"

NYCKELN HOLDING AB, Sweden advertisement. Text: "is pleased to announce the appointment of MR ROSS W. TANNER as MANAGING DIRECTOR of NYCKELN FINANCE COMPANY LIMITED 27 Hill Street, Mayfair, London W1X 7FB, Tel: 499 4731 Specialists in Property and Corporate Finance"

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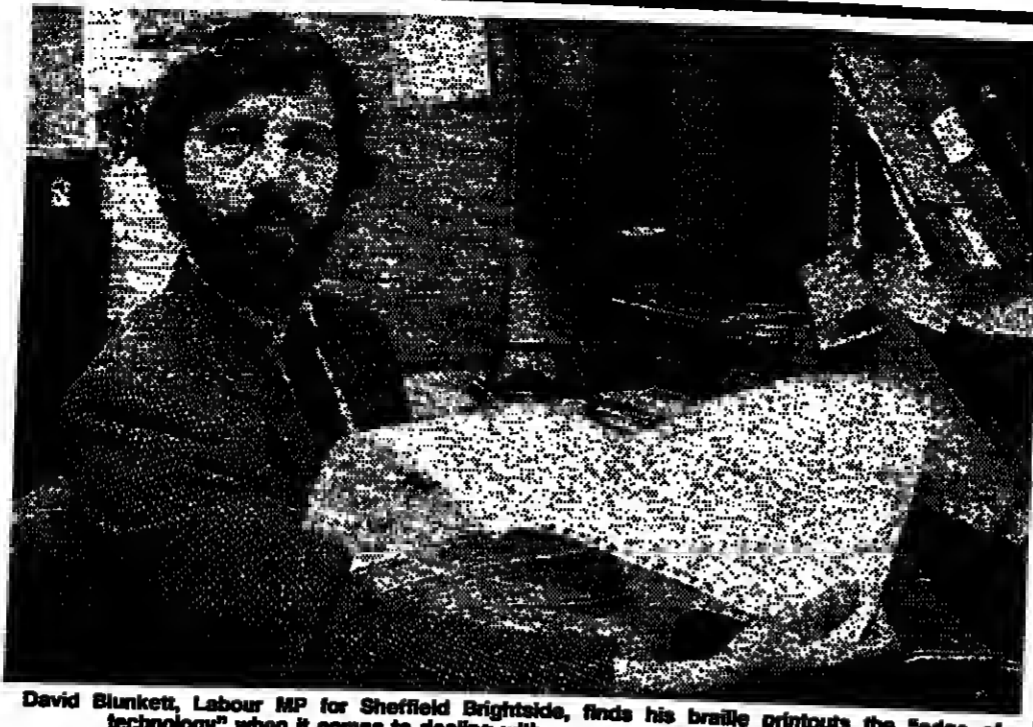
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Translating braille into wider job opportunities for the blind

Tom Lynch examines the example set by electronic equipment provided to a member of parliament



David Blunkett, Labour MP for Sheffield Brightside, finds his braille printouts the "edge of technology" when it comes to dealing with masses of parliamentary paperwork.

THE RECENT decision by the House of Commons authorities to provide David Blunkett, the blind Labour MP for Sheffield Brightside, with electronic equipment to help him confront the mountain of paperwork that faces every MP is the most public demonstration of how computer technology is widening horizons for the blind.

Blunkett's system translates messages from an ordinary word processor into braille, outputs on embossed paper and allows his secretary to translate notes from an electronic braille notebook. The equipment is such an advance over the braille typewriter and cassette tapes he previously relied on, that to Blunkett it has become the "edge of technology."

But for Pia, the Cardiff-based co-operative which has evaluated the equipment for the Commons, written the software and trained Blunkett's staff, it is simply an extension of the technology found in every office.

In most large voluntary organisations, new technology has become a way of widening the scope and speeding production of publications for the blind.

The electronic office installed for Blunkett consists of a standard Amstrad personal computer (PC) with a disk reader and braille embosser. A document scanner is on the way, and two braille notebooks - one pocket model and one lap-top - are being tried out.

A major task for any MP is keeping track of the mass of parliamentary bills and written answers, Hansard reports of proceedings in the chambers and committee rooms, and reports from committees and other official bodies.

In the late watches of a dull debate, it is common to see MPs, in their offices, corridors - which are sometimes also offices - and even in the chamber itself, poring over reams of printed paper, using highlighter pens to mark passages for further study.

Blunkett's staff can now do the scanning for him and input the important bits into the PC. A program called Braille Maker, written by Pia, translates the input into braille for output on the printer.

The job is one of translation rather than conversion. The most manageable form of braille - in that it is only about three times as long as print and, with practice, can be read just as quickly - is more like shorthand than English, using about 200 special characters, with contractions for some syllables, words and phrases.

The Pia program also needs a large exception dictionary. For example, it has to know the special character for the word "had", but must also know not to use it in words such as "shadow". Blunkett's system would make a poor job of reading parliamentary bills if it did not know when "1" was a Roman numeral rather than a letter.

A program is being devised to use with the braille notebook Blunkett will take with him to debates.

All this is the most public example of what seems likely to become an increasing trend in the electronic office.

In the past, a blind person using a braille typewriter could not type anything which could be read by an sighted person - say, his or her secretary - and secretaries who did not know braille could communicate with employers only by voice or cassette tape.

Mike Joseph, co-ordinator of Pia, points out that there is little point in setting up an office system which can only be used by those few secretaries who know braille.

"The whole purpose of the new equipment is that it runs completely straightforwardly - you don't have to know anything about braille to produce braille," he says.

Such facilities denote a more flexible use of available technology, rather than any technical breakthrough - for example, Kurzweil document scanners with voice output have been features of major lending libraries for some years.

Maggie Burchill, of the Stockport-based National Library for the Blind (NLB) - probably the biggest producer of braille printed material in the UK - says it has published about 120 book titles electronically since it introduced its system in 1985. It uses material input on the premises, taking advantage of Amstrad PCs with braille keyboards, floppy disks from print publishers and a braille translation program developed at the Massachusetts Institute of Technology.

A floppy disk can be processed into a book in two days, says Burchill, allowing a Booker prize winning novel, for example, to be printed in two weeks. "It means blind people can get books at the same time as everyone else."

However, the machinery available to the large-scale publishers is of little direct use to the blind, and it is expensive - the NLB's double-sided braille embosser costs £50,000, and even single-sided embossers are not cheap.

The high price of such machinery is perhaps inevitable in a small, captive market where many users have equipment bought for them by their companies. Nevertheless, Burchill says there is some hope of a £500 braille editing system being available in the near future, involving a PC with a braille keyboard.

The cost of embossers, however, makes it likely that printing out documents will continue to be done on a bureau basis by companies such as Pia.

Burchill favours such services being available through the telephone system, with fast delivery, but is concerned that too few of those who might use such services - such as employers of blind people - are aware that the facilities exist.

Why Kew's loss could be medicine's gain

Jane Rippetean explains how rare trees blown over in the October gales may hold the key to curing diseases

ON A metal table in an old brown shed at the edge of the UK's Royal Botanic Gardens at Kew is a pile of roots. There are more on the floor and more stacked along side. They do not look important, but they are; scientists know that these soil-encrusted items hold medicinal secrets. They could provide future cures for diseases.

They are the silver lining in the clouds of the storm on October 16 that robbed England of some 15m trees. Kew Gardens lost about 600 trees. But unlike anywhere else - except Kew's sister park at Wakehurst - the botanic garden's plants represented up to 80 different species from around the world. Uprooted, they gave Kew scientists an unprecedented windfall of roots, bark and heartwood material for analysis.

"Until now, we have had to concentrate on seeds," says David Cutler, head of Plant Anatomy at Kew's century-old Jodrell Laboratory. "We now have an opportunity to look at material we would have never had a chance to see."

Cutler and his colleagues foresee not only important academic research, but potentially lucrative commercial products, from new drugs and insecticides to possible new dating techniques. For instance, climatic changes and atmospheric events - the start of the Clean Air Act, the nuclear disaster at Chernobyl

- will show up in tree trunk rings, which record each year's growth.

The prospects have clearly taken the edge off the heart-break of seeing so many pedigree trees upended. The excitement is palpable. And important industrial liaisons are in the air.

One large pharmaceutical company was on the doorstep almost immediately, says Cutler. Now, two industrial concerns are in serious negotiations, with Kew paying special attention to protecting its own interests. "There could be a great deal of money in this," says Cutler. "There could be royalties involved if a new compound is found."

He says he cannot name the companies involved until deals are finalised.

According to Tom Reynolds, chief of biochemistry at Jodrell, pharmaceutical companies are almost desperate to find leads for new chemical families, some novel compound with a specific activity.

The search for medicinal, insecticidal or antiviral compounds in plants is not new to Kew's Jodrell Laboratory. Work done years ago at Kew on the pods of an Australian tree has recently been used in identifying a substance that stops replication of the virus causing acquired immune deficiency syndrome (AIDS).

Today, Kew is regularly supplying a London researcher with samples showing "hints of activity" as an anti-malarial compound, says Reynolds. He points out that malaria killed some 5m people in Africa last year, far more than died from AIDS. The virus is now growing resistant to the current top drug, he says, and another compound is needed.

Kew is not equipped or staffed to carry out such studies on its own. Jodrell has just 30 scientists in four disciplines, plus research students and visiting experts. Kew is also no longer moored in the Ministry of Agriculture, Fisheries and Food, and is relying increasingly on outside sources for funding.

Post-storm activity has consisted so far of gathering, documenting and preserving material. Cutler and Reynolds have what they call "blown tree" stashed into all available corners at Kew, and in one employee's basement.

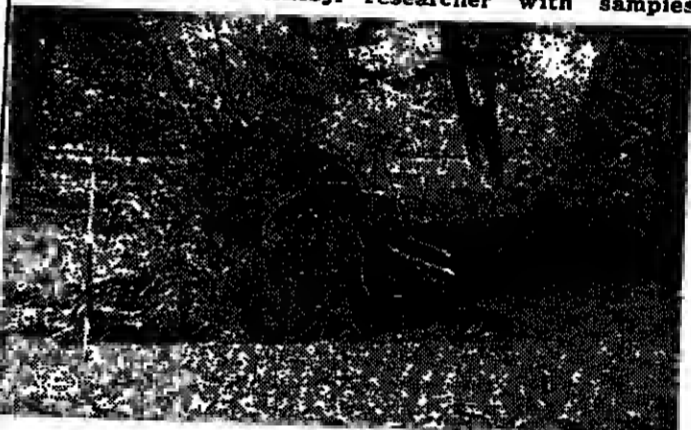
Beside one shed stand dozens of foot-thick trunk samples. Nearby, root bundles are tagged with names like *Maciura pomifera*, *Fraxinus angustifolia*, *Gleditsia campala*, their various tones of grey, yellow, auburn and brown, reflecting their different chemical compositions.

According to Kew director Arthur Bell, a number of research areas are possible. "We've got a unique range of species, many with a complete history." Kew expects, for instance, to be able to identify which species of trees perform best for use in identifying atmospheric events.

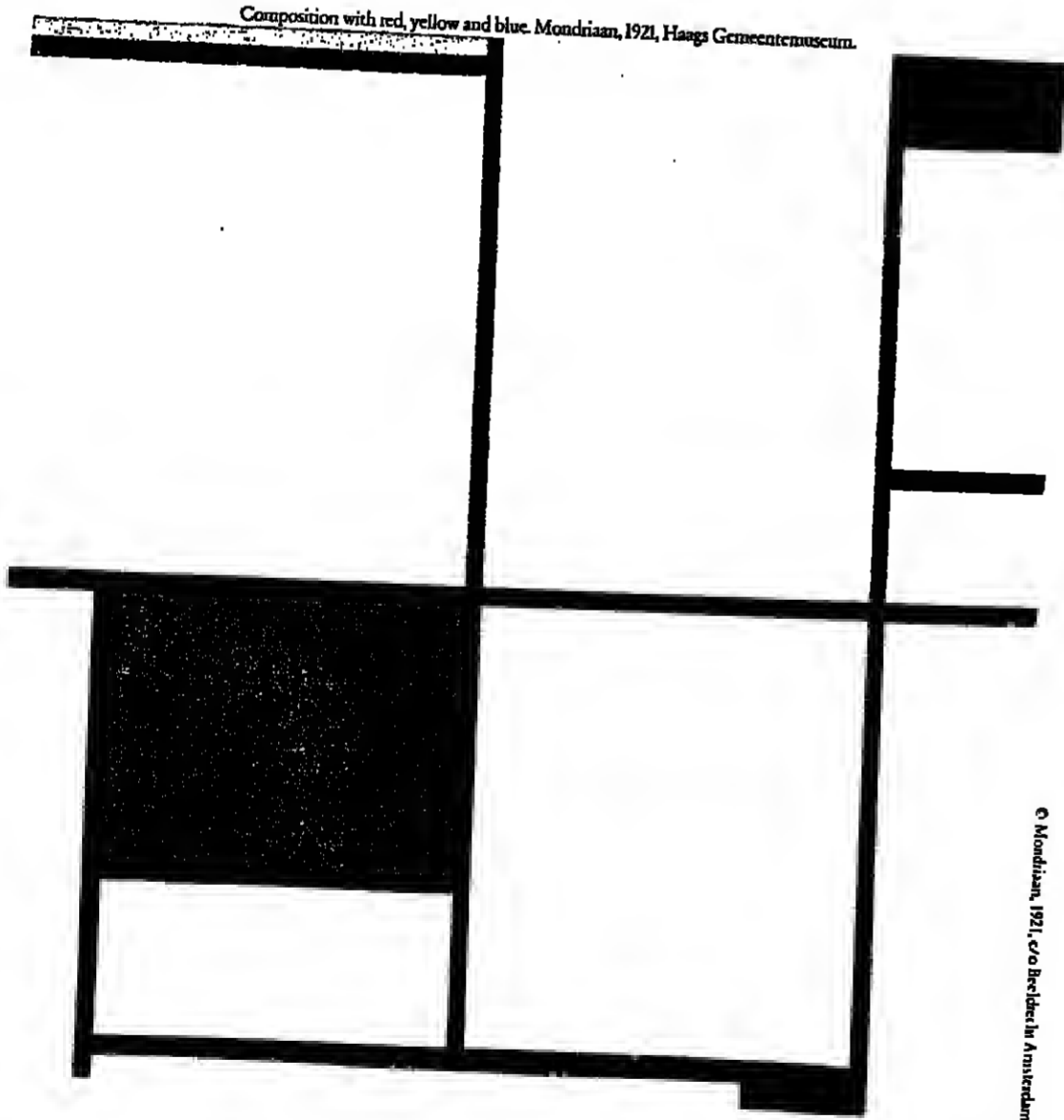
"By studying trunk cross-sections we can see the effect of acid rain, and we hope that we shall find certain tree species that are very good indicators," says Cutler.

The availability of whole root systems not seen before may also help builders decide what trees are likely to be troublesome near buildings or underground pipes. The roots of some trees grow fairly straight down, others spread out near the surface where they could endanger man-made constructions.

"Plants are innovators," says Cutler. "We are exploiting the situation."



It's an ill wind... Devastation at Kew's Royal Botanic Gardens could prove to be of benefit to mankind



Composition with red, yellow and blue. Mondrian, 1921, Haags Gemeentemuseum.

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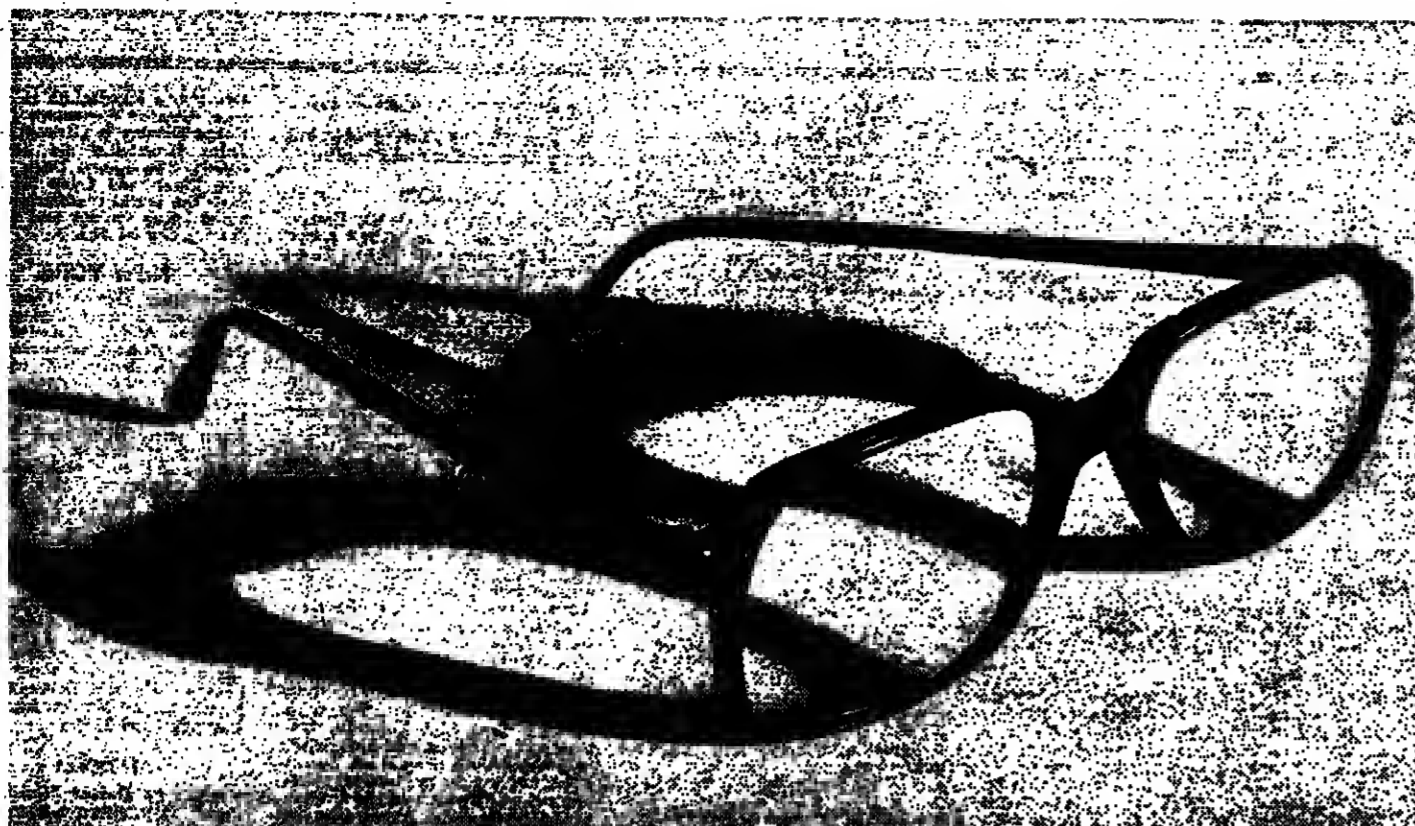
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Music

TOKYO

Radolf Serkin, piano. Beethoven, Sundry Hall (Mon) (373 3888, 545 8348)

New Japan Philharmonic Symphony Orchestra, conducted by Y. Toyka. Ives, Copland, Rachmaninov. Tokyo Bunka Kaikan (Mon) (499 1831)

NHK Symphony Orchestra, conducted by Heinz Wallberg. Brahms, Bach-Webern. NHK Hall (Wed, Thur) (466 1781)

San Francisco Symphony Orchestra, conductor Herbert Blomstedt. R. Strauss, Brahms. Harris Symphony No. 3. Shows Women's University Hitomi Memorial Hall, Sanzenjaya (Thurs) (283 1851)

LONDON

Royal Philharmonic Orchestra conducted by Vernon Handley with Barry Griffiths, violin. Walton, Vaughan Williams and Elgar. Royal Festival Hall (Tue) (398 3151)

London Symphony Orchestra conducted by Rafael Friberg. de Burgos with David Weir, piano. Schubert, Strauss and Beethoven. Barbican Hall (Thurs) (638 8391)

PARIS

Jean Martin, piano. Mozart, Strauss, Franck, Prokofiev (Mon) (46 04 12 15)

Ewa Podles, recital. Jerzy Marchwinski, piano (Mon). Théâtre de l'Athènes (47 42 67 27)

Orchestre Français d'Oratorio conducted by Jean-Pierre Lorge. Homage, King David in original version. Choir Elisabeth Brasseur. Mon. Tue). Saint-Roch Church

(42 61 88 95)

Orchestre National de France. Victor Tretiakov, violin, Mikhail Brokhine, piano. Beethoven, Brahms, Shostakovich, Bartok (Mon). Théâtre des Champs Elysées (47 20 36 37)

Orchestre de Paris conducted by Daniel Barenboim, Waltraud Meier, mezzo-soprano. Schubert, Mahler, Wolf (Wed). Salle Pleyel (46 63 88 73)

Scottish Chamber Orchestra, Felicity Lott, soloist. Britten, Mozart, Smet (Thurs). Salle Gaveau (49 63 20 30)

FRANKFURT

Orchestre National de Capitol de Toulouse (Alsace Opéra). Ravel, Beethoven and Berlioz (Tue)

ROME

Luciano Berio (Auditorium). Conducting his Risorto Degli Snovdenia (Mon and Tue). Via Della Conciliazione (564 1044)

Orchestra of Bergamo and Brescia (Teatro Olimpico). Agostino Ortico conducts Mozart (Wed). Piazza Gentile da Fabriano (39 33 04)

The Wind Section of the KAI Orchestra (Oratio del Gonfalone). Beethoven and Mozart (Thurs) Via del Gonfalone 32A. (68 76 562)

NETHERLANDS

Amsterdam Concertgebouw. Ken-Ichiro Kobayashi conducting the Netherlands Philharmonic with the Concertgebouw Piano Duo. Weber, Mendelssohn, Stravinsky (Tue). Riccardo Chailly conducting the Concertgebouw Orchestra. Mosolov, Shostakovich, Stravinsky (Wed, Thurs). Recital Hall: The Concertgebouw Chamber Orchestra. Beethoven and Mozart (Thurs) Kan. violin: Handel, Mozart, Erkin, Respighi (Tue). Udo Reinemann, baritone, accompanied by Rian de Waal. Brahms (Thurs) (71 83 46)

Rotterdam, Deelen. Edo de Waart conducting the Rotterdam Philharmonic with Heinz Holliger, oboe. Bach, Maderna, Elgar (Thurs). Recital Hall: Bruno Canino and Antonio Ballista, piano: Schubert (Wed). Russian choral music from the Moscow Chamber Choir conducted by Vladimir Minin (Thurs). (413 24 90)

Utrecht, Vredenburg. Ken-Ichiro Kobayashi conducting the Netherlands Philharmonic with the Concertgebouw Piano Duo: Weber, Mendelssohn, Stravinsky (Mon, Wed). Recital Hall: The Orlando Quartet

NEW YORK

Alexis Weissenberg piano recital: Bach, Chopin, Ravel, Rachmaninoff (Wed). Carnegie Hall (247 7800)

Alban Berg Quartet. All-Beethoven programme (Thurs) Carnegie Hall (247 7800)

American Brass Quintet and Friends: Bertali, Raymond Mass, J. S. Bach, Erzszt, Babitz, Starek, Gabriele (Thurs). Juilliard Theatre, Lincoln Center (874 7816)

The Oxford Singers. Mozart, Gieseler. Mendelssohn and folk songs. One of the Joillard concerts at the ISM Garden. Pianos. 66th and Madison. Wed 12.30. Free.

Orchestra of Trinity St Michael's. Duilio Dobrbin conducting, Pia Sebastian piano. Beethoven, Maximo Gugliem (Thurs). Meridian Hall (362 8719)

New York Philharmonic. Zubin Mehta conducts with Alexander Toradze, piano. Rachmaninoff, Stravinsky (Tue); Zubin Mehta conducting. Jesse Norman soprano. Schubert, Poulenc (Thurs). Avery Fisher Hall (874 2424)

WASHINGTON

National Symphony. Sir Neville Marriner conducting. Cecile Licad piano. Mozart, R. Strauss, Tchaikovsky (Tue); Sir Neville Marriner conducting. Jesse Norman soprano. Schumann, Vaughan Williams, Stravinsky (Thurs). Kennedy Center Concert Hall (264 3776)

CHICAGO

Chicago Symphony. Michael Tilson Thomas conducting. Beethoven, Ives, Rachmaninoff (Tue). Orchestra Hall (486 8111)

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper. Der Liebestrank, produced by John Copley, will have its premiere this week. The cast is led by Daniela Mazzucato, Daniela Boehler, Luciano Pavarotti, Mario Sereni and Rolando Panerai. Toca has fine interpretations by Janik Martin and Ingrid Isenhardt. Monon leosart brings Pilar Lorengar, Ann Murray and Giorgio Merighi together. Hoffmanns Erzählungen has Robert Hale in the title role for the first time.

Ramberg. Stasloper. Cav and Pag stars Julia Varady, Olive Fredricka, Giorgio Lamberti, Piero Cappadocci, Natalia Troitskaja and Vladimir Adamov. Zar und Zimmermann is a well done repertoire performance. Carmen, sung in French. Features Ruzsa Balldan, Rachel Jostova, Ralph Houston and Franz Grodheiser. La Traviata completes the week.

Cologne, Opera. Pique Dame is respected with Josef Probst, Manfred Vogt, Martha Modl and Nadine Secunde. Don Pasquale has a strong cast with Ulrich Fieischer, Canillo Megner and Janice Hall. Edlen Kwon repeats her much praised Queen of the Night in the Magic Flute. Also offered Der Barber von Sevilla.

Frankfurt, Opera. This week's highlight will be the premiere of Otello with star tenor Enzo Collo in the title role and Gary Bertini as conductor. Also in repertoire: Così fan tutte with Margaret Marshall, Marianne Norholm, Michael Shandir, Hans-Joachim Bechtold, Hans-Joachim Schwaback; Le Nozze di Figaro with Edith Mathis and Tom Fox; Orfeo ed Euridice. Forsythe's Ballet Impressing the Zar.

Stuttgart, Württembergisches Staatstheater. Fidelio returns to the house with Deborah Polaski, Basil Villalobos and Toni Kramer. Die Entführung aus dem Serail has fine interpretations by Yoko Nakamura, Daniela Mazzucato, Marianne Hirs and Gunter von Kanuen. Iphigénie auf Tauris in Achim Freyer's production with Tomoko Nakamura, Graziella Gualandini and Carmen, choreographed by John Cranke, round off the week.

Munich, Bayerische Staatsoper. Tannhäuser has Julia Connell brilliant in the two roles of Venus and Elisabeth. The cast also includes Spas Wenkoff and Claus H. Ahnsjö. Ariadne auf Naxos has a strong cast with Delors Ziegler, Sabine Bess, Christian Bensch and Claus H. Ahnsjö. Die Zauberflöte stars Elie Hobarth, Angela-Maria Blas, Manfred Schenk and Siegrid Arndt. Romeo et Juliette, choreographed by John Cranke, closes the week.

ITALY

Milano, Teatro alla Scala. Francesco Cilea's Adriana Lecouvreur conducted by Giuseppe Patane in Lamberto Paganini's production. The cast includes Montserrat Caballé, Jose Carreras, Juan Pons and Fiorenza Cossotto (80 21 96)

Rome, Teatro dell'Opera. Bellini's La Sonnambula conducted by Alberto Ventura in a well-sung but somewhat drab production by Silvia Cassini. American soprano Jane Anderson (alternating with Ewa Podles) sings Amina, and the role of Elvira (alternating with Eduardo Ayala) is sung by Teatro dell'Opera ballet company in Heinz Spoerli's Midsummer Night's Dream. (46 17 55)

Genoa, Teatro Margherita. Madame Butterfly conducted by Daniel Oren, with Yasuko Hayashi in the title role. Kuznetsov Yelkin as Suzuki and Giuliano Ciannella as Pinkerton. (83 83 29)

Turin, Teatro Regio. Goetterdämmerung in Gianfranco de Bosis's production conducted by Zoltan Kocsis, with Herbert Schönbach (Siegfried), Jeannine Almeray (Brannhilde), Ingrid Hanbold, Wolfgang Sobern and Yvonne Minton and Donizetti's Don Pasquale, in co-production with the Grand Theatre in Geneva, directed by Ugo Gregoratti. Bruno Campanella conducts a cast which includes Enzo Dara, Luciana Serra and Alessandra Corbelli (64 80 00)

Trieste, Teatro Comunale. Ariadne auf Naxos conducted by Spiros Argiris, in Giulio Chizzolero's production, with scenery and costumes by Ulisse Scanziani. The cast includes Johanna Mayer, Penelope Lusi, Eusebio Erceg-Ely and Martin Egge. (63 19 48)

Palermo, Teatro Politeama. Barber of Seville, conducted by Daniele Gatti and directed by Dario Fo, his first attempt at opera. The cast includes Leo Nucci, William Martinez, Franco Fracchi and Alfredo Mariotti. Scenery and costumes by Dario Fo. (62 41 761)

Bologna, Teatro Comunale. Roberto Simcoe's highly successful production of Rossini's Il Signor Bruschini (given at the Rossini Opera Festival at Pesare in 1985), conducted by Maurizio Benini and designed by Enrico Job. (82 98 98)

PARIS

Paris Opéra. Homage to Serge Lifar by the stars and pupils of the Paris Opéra Ballet with Jeanne Dumortier in Piccino's decor and costumes alternates with Katia Kabanova inaugurating a cycle of operas in a co-production with the Los Angeles Music Center Opera conducted by Jiri Koucký. Karan Armstrong, Barry McQuay and Leonie Ryanek express the tragic

topography to a virtuoso of the medium of water colour and originality. Ends March 20.

ITALY

Rome, Villa Medici (French Academy). A Certain Robert Doisneau of the 40 year career of Doisneau, from his tonching and evocative Paris street-scenes of the immediate post-war years to a series of portraits of well-known writers and artists. Tender and sentimental in the images of children and dogs among the rubble of the bombed city, Doisneau is illuminating and unambiguously in his portraits. Picasso in 1962, sitting with played hands on the lunch-table, but with bread-rolls where the flowers should have been. Prevent posed carefully in front of the shop Merode, so that the O is covered; Colette with an enormous collection of papers, weights, and Julian Green, de Beauvoir, Simone, Dubuffet and Giacometti. Ends April 3.

Roma, Galeria Ugo and The Sculptors: photographs by Ugo Mulas from 1960-70. A series of portraits of artists with their work, bringing unexpected insights into both Jim Dine, Lynn Chadwick, Claes Oldenburg, Alexander Calder, Lucio Fontana and Giacometti. Includes particularly fine series of photographs of an open-air exhibition of sculpture in Spoleto in 1962, with works by Henry Moore and Aro gaining impact from their setting, on the

starts, silhouettes and piazzas of the old town. Via Gregoriana 5. Ends Feb 29.

SPAIN

Madrid, Sala de Exposiciones. The Romantic Tradition in Contemporary British Painting proposes that a parallel development to Modernism has embraced most major British artists since William Blake and that it is alive today as 150 years ago. This is the first exhibition to undertake such a re-examination and the first group survey of contemporary British painting to tour Spain. It features 10 artists and 36 works from private and public collections. Sadly, the charming picture of a baby dragon trying with a length of blue ribbon like a playful puppy was not used to adorn the walls of a nursery. Ends March 21.

Japan Folkcraft Museum (Nihon Bunkakan, Komaba). Prints by Munakata Shiko, pottery by Kawai Kanjiro. A special exhibition featuring works by two of the leading Japanese artists of the 20th century. Munakata's prints are dynamic and vertiginous (possibly because he was near-sighted from his youth onwards); while Kawai's distinctive style favours brightly coloured glazes. Don't miss the superb standing collection of crafts from all over Japan, housed in a replica of an old farmhouse building which is in perfect harmony with the unselfconscious beauty of the objects. Tobacco and Salt Museum. Shiny

buya. Prints of Edo. The highlights of this exhibition are the woodblock prints by Utamaro, the great master of female portraiture, whose scenes of the licensed quarters have great wit and elegance. Ends Feb 23.

NEW YORK

Metropolitan Museum of Art. Every phase of Pragonard's art is included in this, the first comprehensive exhibition of his work that captures France in the last decades of the ancien regime. Ninety paintings and 130 drawings, the show comes from the Louvre with his studies of contemporaries in theatrical costumes as well as paintings like The Fête at St Cloud and The Sessaw. Ends May 8.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century. BC. Ends June 12.

CHICAGO

Art Institute. More than 80 drawings from the 19th-century architect Friedrich Weinbrenner show his influence in rebuilding Karlsruhe and Baden Baden as well as doing numerous commissions for German royalty. Ends Feb 29.

LONDON

Royal Opera (Royal Opera House, Covent Garden). A varied triple bill of The Sons of Horus, Symphonies Variations and La Finta Giour. Antonette Sibley and Anthony Dowell are seen in their created roles in Manon.

Royal Opera (Royal Opera House, Covent Garden). Jussak's Jemma returns to the house in the production by Yuri Lyubimov that was new and widely admired last season. Ashley Putnam (title role) and Eva Randova return to the production; Jan Blahoska, Nello Sanza conducts. Luisa Miller in Nathaniel Merrill's production with Silvia Moca, Wolfgang Brendel and Paul Plishka. (382 8000)

WASHINGTON

Washington Opera (Kennedy Center Opera House). Fidelio, conducted by Gerard Schwarz, in Michael Hammer's production features Laila Aderson-Palme as Leonore, Herbert Eckhoff as Don Fernando and Marcus Haddock as Jaquino. (254 3770)

TOKYO

Lyon Opera Ballet (Nakano Sun Plaza) Cendrillon where all the dancers wear masks and move like puppets. This fairy tale for adults. (478 8288) (ends Feb 25)

PARIS

Paris Opéra. Homage to Serge Lifar by the stars and pupils of the Paris Opéra Ballet with Jeanne Dumortier in Piccino's decor and costumes alternates with Katia Kabanova inaugurating a cycle of operas in a co-production with the Los Angeles Music Center Opera conducted by Jiri Koucký. Karan Armstrong, Barry McQuay and Leonie Ryanek express the tragic

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The stock market crash of October 1987, while delivering a huge shock to the world, also highlighted the extent to which modern-day securities business is driven by technology. It showed how efficient communications link individual markets so that, around the world, they tend to react immediately both to news and to each other's movements. It also raised questions about the growing use of computers in assisting trading and investment strategies.

But if there is concern about some consequences of these advances, it is also clear that technology in the securities markets is still at an early stage of development. Interest now centres around the need for flexibility in new dealing technology, better clearing and settlement systems and, with new regulations, technology to support management control. The prestigious panel of international speakers who will examine the implications for traders and investors include:

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Timon of Athens/Leicester

Martin Hoyle

Timon is the play that, according to high authority, will not be seen on the Stratford main stage for some time, so great are its demands on resources. The Studio of Leicester's Haymarket Theatre therefore deserves full marks for bravado in staging this surging pageant of misanthropy with seven actors to embody feasters, parasites, creditors, soldiers and self-seekers.

Rebecca/Everyman, Cheltenham

B.A. Young

Daphne du Maurier's story, either as novel or play, has something for everyone - romance, mystery, surprises, snobbish, even novelty, for there are few plays in which the heroine ends up happily with a confessed murderer.

Cry/Elizabeth Hall

Richard Fairman

The reputation of Giles Swayne's Cry - written for 23 amplified voices - seems to have grown steadily since its premiere in 1980, despite the pressing demands it makes on its interpreters.



Scene from Abuladze's 'Repentance' Cinema/Ann Totterdell

Blackest comedy

Repentance directed by Tenghis Abuladze

A Time to Die directed by Jorge All Triana

Dragnet directed by Tom Maniewicz

90 Days directed by Giles Walker

A Night on the Town directed by Chris Columbus

The Courier directed by Frank Deasy and Joe Lee

Life is simple enough for the characters in Repentance. Either they appease the local mayor or they disappear, "exiled without the right to communicate."

When Mayor Varlam Aralidze dies the town mourns the passing of a great man. "He could make a foe into a friend and vice versa," rants his obituary.

The unwritten rules that govern the characters in A Time to Die both dominate and destroy lives. Set in South America with an original script by Gabriel Garcia Marquez, the story has an unfortunate similarity to last year's film of his Chronicle of a Death Foretold.

revenge. The fact that the dead man was a psychopathic bully is nothing to his elder son, who against all the evidence swears his younger brother that his father was shot in the back by a coward who deserves to die.

Director Jorge All Triana has conceived the film as a Western, a tradition that suits its dogged self-destructive obsession with honour better than its moments of comedy, many I suspect unintentional.

Terse, dedicated, judgemental - and ever confident of his own place in a world of black and white values - Joe Friday, police sergeant hero of 1950s TV series Dragnet, is the perfect role for that master of comic parody, Dan Aykroyd.

The obstacle to its success is not the comic treatment, but the comic approach. Playing Friday's nephew and namesake as if troubled by a permanent nasty smell, Aykroyd is a joy as a man ordered to protect a pornographer he could cheerfully annihilate himself against the violent hate campaign of a loony organisation, a cross between a Dennis Wheatley sect and Hell's Angels, called Pagan (People against Goodness and Normalcy).

What is most intriguing about this Soviet film is not its open criticism of a long-discredited period, but its religious emphasis - early in the action an old couple disappear after protesting about the destruction of a church; religious images pop up late every dream; at the end an old woman asking the way to the long-dead church complains: "What is the use of a road that doesn't lead to a church?"

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Male sensibilities are open season this week and no two men were ever more confused than the heroes of 90 Days, a surprisingly likeable Canadian film. Blue, presumably despairing of Canadian womanhood, has found himself potential wife through an introduction agency which pairs up Korean women with Western men.

On paper the men sound unbearable and it is a tribute to director Giles Walker and screenwriter Stefan Wodostawsky and Sam Grana that on screen they are vain and weak but also vulnerable and occasionally capable of sensitivity.

The Courier takes its crooks more seriously - as seriously as its understandable desire to make a new kind of Irish film. But unfortunately no whimsy, not a travelogue, nor a comedy, more crucially, no politics or religion, renders Dublin not only anonymous but characterless.

The Phantom of the Opera (reiteration) is a spectacular musical by Andrew Lloyd Webber, celebrating the romance in Leroux's 1911 novel. It takes place in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has now succeeded Michael Crawford as the Phantom (839 2200).

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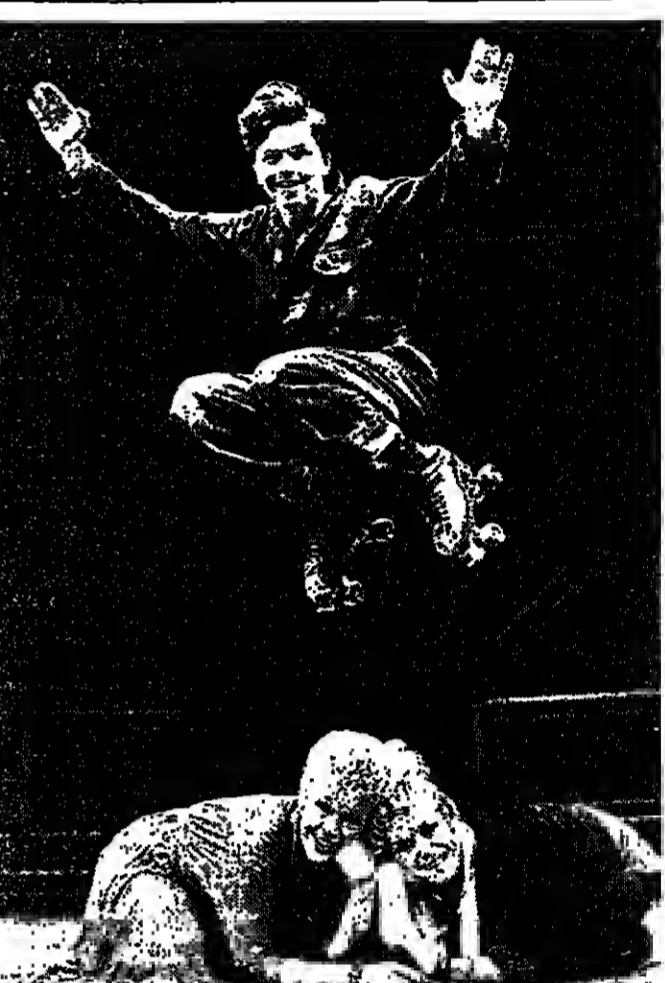
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La Fin du Jour/Covent Garden

Clement Crisp

The Royal Ballet presented a triple bill on Wednesday of plotless works which demanded a scrupulous sense of style to bring them off. The special qualities of Ashton's Symphonic Variations, Bintley's The Sons of Horus, and Macmillan's La Fin du Jour are only to be savoured if their casts can find the choreographic "voice" to tell of the dance's implicit narrative.

English Chamber Orchestra/Festival Hall



M.C.

English Chamber Orchestra/Festival Hall

Andrew Clements

Among Milhaud's prodigious output is a pair of string quartets (nos. 14 and 15) designed to be playable either as separate quartets or simultaneously as an octet. It sometimes seems as if much of his music is constructed in that carefree, utilitarian way - happy gallimaufries of sound that are held together by their common goodly melody.

It doesn't, and that is the concerto's single element of surprise. But concertos to demonstrate percussionists' dexterity on the tuned instruments are rare enough to ensure the work's perpetuation, and Evelyn Glennie brought it off neatly here, crisp and winningly accurate in her rhythmic sense.

Saleroom/Antony Thorncroft

Contemporary times

The salerooms are trying to make up on the last preserve of the dealers - contemporary art. Next Thursday Sotheby's is holding an auction devoted to post 1945 art and yesterday Christie's disposed of British 20th century art, with many paintings coming from the last two decades. It can be cheaper to buy through the auction houses rather than from dealers but the choice is more limited.

ENO cancels 'Tannhauser'

The English National Opera announced yesterday that it has had to cancel its new production of Tannhauser for financial reasons. Tannhauser, in a new translation by Rodney Milnes and conducted by Kees Bakels, was to have opened on May 28 and to have marked the British operatic debut of director Ken Russett.

Arts Guide

Continued from Page 16

Theatre

NEW YORK

Serious Money (Boyle) For its move to Broadway, Caryl Churchill's devastating production of the international financial community gets a new cast led by Kate Nelligan under Max Stafford-Clark's direction (929 9200).

Me and My Girl (Marquis)

Even if the plot is a trite mimicry of Pygmalion, this is no classic, with forgettable songs and dated lead-actress in a stage full of characters.

TOKYO

Kabuki (Kabuki-za). Sugawara Denju Tenarai Kagami (The Secret of Sugawara's Calligraphy). Act 1-3 in the morning at 11am; Act 4-6 at 4.30pm. The play is loosely based on the life of a master calligrapher of the ninth century, but its main appeal lies in the character of triplets who are retainers to their divided lords and become the victims of divided loyalties.

LONDON

The Best of Friends (Apollo) John Gielgud makes probably his last appearance on the London stage as Sir Sydney Cockerell, a museum curator and friend of Shaw played by Ray McAnally and a remarkable absees played by Rosemary Harris. Hugh White more's play shuffles a triplicate correspondence to provide Gielgud now 83, with a gift of a cheque (437 2663, CC 434 3586).

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FINANCIAL TIMES

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Friday February 19 1988

Controls over farm spending

UNDER THE DEAL worked out last weekend the European Community agreed for the first time to set a legal and binding limit on farm spending. At the same time it agreed to introduce specific mechanisms designed to control spending in each of the 10 major farm sectors. These two measures, according to Community figures, should mean that, at the end of the four-year agreement in 1992, farm spending will have increased by only some 8 per cent. It will then be about 66 per cent of a larger Community budget rather than the more than 65 per cent today.

That would certainly be an achievement. But is there any reason to believe that the new deal will work, particularly given the record of the past, when protestations of budget discipline have proved worthless in practice?

Protagonists of the deal claim that it is much more effective than the ultimately worthless ceiling agreed at Fontainebleau in 1984. While no one seriously suggests that there will be the recourse to the European Court which legal status would make possible, the deal will work, particularly given the record of the past, when protestations of budget discipline have proved worthless in practice?

Stabilisers

Much will depend, therefore, on whether the new mechanisms in the farm sector, called stabilisers, succeed in controlling production. Here there must be serious doubts. For one of the central problems of the agreement is that while it puts legal limits upon spending, it puts none on production: the EC is legally committed to buy everything farmers produce. The stabilisers can only try to curb production in each sector, by setting thresholds beyond which price cuts and other penalties will apply.

Efficiency in Whitehall

MRS THATCHER has often been accused of treating the British Civil Service with a marked lack of delicacy. But she has not, since coming to power in 1979, shown the obsessive preoccupation with reforming the machinery of Whitehall that characterises some of her immediate predecessors. Where there has been structural change, it has been directed primarily at introducing private sector discipline through programmes such as the Financial Management Initiative in adopting the recommendations of the Government's Efficiency Unit to devolve executive power to semi-independent agencies she is now taking a further step down the same road. The question is whether the reforms will really do much to improve the quality of service to the public, and at what cost.

On the face of it there is some logic in devolving responsibility for a range of executive functions to managers outside Whitehall. The Efficiency Unit has a cogent list of faults in the present system, ranging from the fact that the Civil Service is too big and too diverse to be manageable, to senior civil servants' natural preoccupation with policy rather than the delivery of services on the ground. The advantages of an all-embracing pay structure are breaking down, while uniform grading of staff inhibits effective management.

Key point

Above all the unit identifies the key point that the public expenditure control system is the most powerful central influence on departmental management. The result is that the narrow discipline of accountability has all too often taken precedence over quality of service. The Treasury's preoccupation with central control over government spending has not only ensured that the Government has been a notoriously bad employer; it

The key sectors where spending must be cut if the new budget ceilings are to be adhered to are milk and beef, which are already subject to relatively successful stabilisers, oilseed and cereals. For oilseeds, the new penalties are quite severe and could well induce farmers to get out of rapeseed, for example. But it is doubtful whether the stabilisers agreed for cereals will have a similar effect. The price cut of 3 per cent a year (which will only be brought into effect after a rather high production threshold of 160m tonnes is reached) is barely enough to counter the trend in rising production of 2.5 per cent. There will probably be too many exemptions from the so-called co-responsibility tax of up to 3 per cent, while the plan to "set-aside" land from cereal production is too tentative to have much effect over the next four years.

Green currencies

There is a further reason why the major new stabilisers may not work well: countries like Britain and France are certain to devalue their green currencies - the artificial rate at which EC farm support prices are translated into national monies - thereby raising prices paid to their farmers.

The last weekend's farm deal has severe limitations. It may be that savings in some sectors like milk or sheepmeat will offset high costs in others. But the deal remains markedly less stringent than the Community's original proposal last July, which in itself was very far from introducing real market-oriented farm reform.

On balance, it is better to have imperfect control measures in force than none at all: it was presumably this calculation, together with the EC's need to concentrate on other issues than farm policy, that persuaded Mrs Thatcher to agree to the deal - albeit provisionally, until the legal work worked out to her satisfaction.

British ministers obviously hope that once the framework of controls is in place, it can later be strengthened to make it work properly. It was right to give the deal the benefit of the doubt, but the doubt remains.

has also made Treasury civil servants woefully insensitive to the case for introducing proxies for market signals into Whitehall. If the Government has concluded that financial control in the agencies can perfectly well be achieved by agreeing budgets with the Treasury, so much the better. Freedom from oppressive Treasury control is essential if the agencies are to have the management flexibility and skilled staff to achieve a more effective service.

The doubts about the proposed reforms centre on practicalities. Will these fledgling agencies prove any more able than nationalised industries, in their early days, to escape from ministerial interference? Ministerial fingers may not twitch as long as devolution is confined to Companies House and the Royal Parks; but when it extends to anything big the old problems may well reassert themselves. There will also be a wider worry about setting objectives for the agencies' performance. Great areas of the Civil Service are not best assessed by purely financial criteria.

Habit of secrecy

There will be continuing debate about the degree of accountability to which agencies are subjected. The Prime Minister emphasised in the Commons yesterday that the agencies would be responsible to ministers, who would in turn be accountable to parliament for the agencies' activities. Ministers would also take heads of the agencies with them before the Public Accounts Committee. How this will work in practice remains to be seen. Certainly there is nothing to suggest that Whitehall's endemic habit of secrecy will be eroded by the reforms. At this stage the proposals are probably best seen as a small, but useful step in a sensible direction.

In the first of a series of articles, Guy de Jonquieres analyses progress towards the unification of Europe's financial services markets

WESTERN EUROPE is waking up to the challenge of a bold experiment. Two and a half years after the European Community committed itself to realising by 1992 its long-standing objective of a true single market in goods and services, banks, financial institutions and government officials are starting to talk and act as though the exercise might actually amount to more than a day-dream.

"I am very struck by how seriously bankers throughout Europe are taking 1992 and by how much it is influencing their strategies," says Mr Antoine Jeancourt-Galigan, chairman of the Indosuez bank in France. "It will make a difference because so many people believe it will make a difference."

Behind the EC programme lies a vision of a unified market of 320m consumers, in which companies could compete unimpeded by national frontiers and regulatory barriers. In theory, at least, it should be as easy for an Italian to invest in a French unit trust, or a West German to get a mortgage from a British building society, as to deal with national institutions just down the street.

Many doubt whether such freedom will in practice be fully achieved by 1992. But in many countries - particularly those with a history of protected and highly regulated markets, such as France, Italy and Spain - the deadline is adding psychological impetus to efforts to modernise financial institutions and strip away archaic controls. It has also become a leitmotif of the emerging fashion for intra-European mergers and takeovers.

It is also being invoked to shake-up corporate thinking and focus attention on expansion within Europe and defence at home. For example, Deutsche Bank, West Germany's largest, says it is scrutinising its strengths and weaknesses and planning to build up a network across Europe, largely through acquisition.

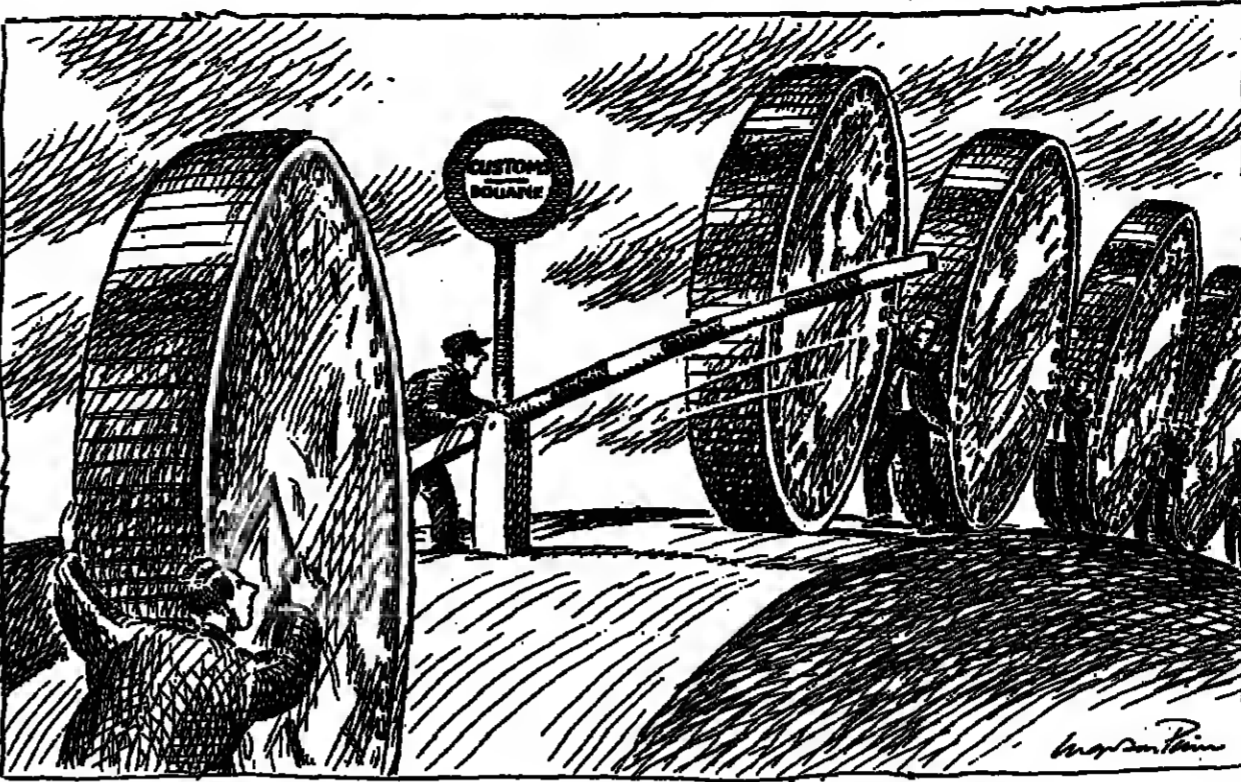
This flurry of enthusiasm is the more remarkable since nobody knows what shape the internal market programme will take, or how much of it will be in place by 1992. The European Commission is ploughing through a lengthy list of legislative proposals, while the Council of Ministers has yet to get its teeth into many of those already published.

Inevitably, much will hang on political horse-trading. The risk of stalemate has been reduced since July, when the council adopted qualified majority voting on many issues. But this can make it harder to predict eventual decisions.

The system has already yielded one unexpected breakthrough: an agreement to allow cross-border sales of insurance to corporate clients. Further progress will depend on the commission's success in maintaining pressure on EC governments, and on the commitment and energy of the council presidency, due to pass from West Germany to Greece next July.

Defining a framework for a single financial market also poses delicate problems. Because banking and many financial services are so closely intertwined with national monetary and payments systems, they are deemed to require special safeguards against systemic risk. Many countries also insist on elaborate precautions for consumers and investors. As a consequence, national barriers are often higher than those encircling industrial sectors.

The commission has opted for a radical approach. Instead of seek-



1992: countdown to reality

ing extensive legislative harmonisation, it wants governments to dismantle all remaining controls on capital movements and to open their frontiers to services from other parts of the community. At present, most EC countries prohibit banks and other institutions from offering services unless they are established locally (often a costly process) and conform with local regulations.

Under the proposal, institutions authorised in one state would be free to do most kinds of business in the others, under the supervision of their home government. Harmonisation of national laws would be kept to a minimum, mainly to ensure prudential safety. The commission's calculation is that, after 1992, most national regulatory differences would simply erode under pressure from cross-border competition.

The trick lies in deciding where to draw the line. How much harmonisation is needed to ensure sound supervision and fair competition? How far can consumers be expected to choose sensibly between competing financial products? How far should choice be restricted in the name of safety? Is it enough to say that financial services may cross frontiers, or will more decisive action be needed to guarantee market access and fair competition? Are national supervisors ready to trust each other to enforce the rules?

The 12 EC governments approach these questions from divergent standpoints, reflecting substantial and often deeply-rooted differences between their legal systems, regulatory traditions, the structure of their financial markets and their political and economic objectives.

France and West Germany, for instance, accuse the UK of wanting

to impose "Anglo-Saxon" rules, concocted in cahoots with the US. Britain accuses its detractors of chauvinism or, particularly in the case of West Germany, of failing to grasp what the global revolution in financial services is all about.

How much of a stumbling block are these disagreements and uncertainties? Mr Jean-Maxime Lévesque, chairman of Crédit Lyonnais, France's third largest bank, views the creation of a genuine single market as a Sisyphean task. "No one will notice when we reach

1992," he says. "Some things will be decided before then, but much more will have to be done afterwards. It's obvious that we are moving towards unification, but the further we progress, the more we will discover remains to be done."

However, Mr Herman van der Wijk, vice-chairman of Warburg, the London financial conglomerate, argues that the community is pushing at an open door: "If it didn't act, the pressures for change would become unbearable," he says. As his fellow director, Mr Roger Harrison-Topham, puts it: "For once, the bureaucrats are pushing water downhill."

Oddly enough, both views may be right. The "unstoppable market"

forces" school can point to parallel moves by European countries to liberalise financial regulations, relax exchange controls and open their securities markets to wider international participation.

London's Big Bang in 1986 has helped trigger a chain of little bangs as stock exchanges across the continent have hastened to improve their efficiency and trading capacity. Cosy arrangements in banking and other sectors are being shaken up by fiercer competition and takeovers. Increasingly, cost-conscious customers are insisting on more choice and keener terms.

Despite the sobering effect of the stock market crash, few expect these trends to be reversed. Deeper changes underlie them. Though interventionist tendencies in many parts of Europe are far from dead, governments are being forced - if only by limitations on their resources - to concede a larger role to market mechanisms in determining output and growth. The spread of privatisation is one striking consequence.

With the exception of West Germany, which has stood on the sidelines of many of these developments, the link between overall economic performance and vigorous, adaptable financial markets is more widely accepted in Europe than ever before. Differences persist over how these markets should be organised, and over the wisdom of some of the more exotic types of financial innovation. But there is a growing recognition that backward and inefficient financial systems will ultimately rob industries of competitiveness and impair national wealth creation.

It is, however, a long step from this to a uniform and homogeneous European market. Though international corporate finance operates

largely free of national restrictions, and despite cross-frontier mergers and acquisitions, increased competition in Europe is still predominantly something happening within countries, not between them.

Furthermore, the more marked the national discrepancies and barriers. As Mr Hugh Manson, head of Barclays Bank's continental European operations puts it: "There isn't a level playing field; there is a number of plateaux at different levels."

Some of these variations are due to attitude, habit and language. By common consent, most European companies and individuals are deeply conservative in their financial habits. "Banks bank on it," runs the conventional wisdom. Breaking in from outside can be a hard slog, particularly for institutions accustomed to instant recognition and a privileged life at home.

Other differences, however, are more deeply entrenched in government policy. Mortgage lending systems, in particular, vary enormously between the 12, so do the structure of credit markets and national economic and social priorities. In many countries, domestic institutions are subsidised, either directly or indirectly.

Tax systems are also a source of distortion and likely to become more so as other barriers are lifted. Countries which charge very substantially high withholding taxes would risk driving capital away. Conversely, those which provide tax breaks for designated investments, such as certain types of mutual funds, could put competing instruments from other EC countries at a severe disadvantage.

Not only is the community a long way from deciding such detailed issues, but it is also still groping for a coherent vision of the relationship between its internal market and rest of the world.

To the UK, in the mildly patronising words of one government official, the 1992 programme is all about "handing the rest of Europe into the global market". Other countries, are less convinced. They are attracted by the notion of using the internal market both to bargain for concessions from the EC's major trading partners and to defend themselves against international financial competition. These tensions have already surfaced in a debate about how to treat non-EC banks.

Experience suggests that a unified community will command more respect than its members acting individually. However, the growing interdependence of economies and financial markets, and the sheer mobility of capital, threaten to render plans to construct a Fortress Europe either irrelevant or counter-productive. Indeed, as the architects of the single market plan are discovering, some of the building blocks will not fit together properly without wider international co-operation and co-ordination.

It seems improbable that, by 1992, much more than the rough outlines of a single market will be in place, covering the structure which will take much longer. However, unlike any other recent EC integration initiatives, it has captured the imagination of the markets. From now on, the surest guide to the speed of developments may be that time-honoured axiom of financial traders everywhere: what really matters is not knowing what will happen, but what most people think will happen.

Further articles in this series will appear next week.

Gorbachev's charmer

Gennady Gerasimov, the chief Soviet spokesman on foreign affairs, had not been to London for over a decade until he arrived to visit this week as a guest of ITN.

He thinks that the place has not much changed. Claridge's is still the same (actually, it isn't) and the London clubs go on as ever.

Gerasimov took questions at a lunch at the Reform Club. A very appropriate place, he said, for the modern Soviet Union: "reformist, but not revolutionary". It could, he suggested, be renamed the Perestroika Club.

No questions were wholly ducked. The Soviet Union, he claimed, is getting out of Afghanistan in the hope that there will be a national reconciliation. Its troops will not go back, whatever happens. "There will be no re-invitation," he said.

He declined to criticise President Waldheim of Austria. "He was a very good Secretary General of the United Nations... there is no evidence that he sent anyone to the gas chambers while he was there. If people want to find skeletons in the closet, that is history."

Then he said one very striking thing. He did not think that there would be any major obstacles, from the Soviet point of view, to Austria joining the European Community. The only condition was that the country should remain militarily neutral.

Gerasimov says that Soviet-US relations have much improved since the departure of Richard Perle and Caspar Weinberger from the Pentagon. The new Defence Secretary, Frank Carlucci, he added, is on speaking terms with his Soviet counterpart.

On relations with Britain, Gerasimov suggested that there is some rivalry with Margaret Thatcher about the timing of her visit to Poland. She may choose to go in the same week as the next Soviet-American summit in Moscow. It is a loss up to as which event the Poles

Sir Humphrey

Peter Kemp looks set to become the least popular civil servant in the service - the man charged yesterday by the Prime Minister with the responsibility of changing its entire culture.

Formerly a chartered accountant, 20 years a civil servant, a Treasury man since 1973 and a very fast talker, Kemp has held posts dealing with energy and health and social security spending, with the Budget, and for the last four years with Civil Service pay and industrial relations.

Civil Service union leaders with whom he dealt acknowledge his ability and intellect. Taking on the entire Civil Service, he will need both. But as an archtypical, if considerably more frenetic, Sir Humphrey, the shock will be administered to the service which empowers him to make it barely noticeable.

Berrill unloved

Sir Kenneth Berrill has said several times, most recently on television, that he would like to serve at least another year or

would regard as the more interesting. Gerasimov probably does not know - though one can never tell - Mrs Thatcher is still in some doubt about how to handle her Polish trip. She does not want to go only to Moscow, but another venue has not yet been agreed.

The Soviet leadership has decided to leave the question of British and French nuclear weapons on one side until there have been further developments in arms control negotiations between the superpowers. But Gerasimov left little doubt that the Russians will return to it. "The only difference between an American and British missile in the end," he said, "is in the pronunciation."

He speaks English - or rather American - very well.

Brittan in Bonn

Samuel Brittan, the chief economics commentator of the Financial Times, receives the Ludwig Erhard prize for Wirtschaftspublizistik in Bonn this morning.

It has been impossible to agree on a precise translation, so we have settled for "economic commentating", though I should like it to include the lucidity which distinguishes all his articles on whatever subject.

His speech this morning begins and ends with references to Beethoven, who was born in Bonn. Sam used to believe, as I do, that the Schiller poem which accompanies the ninth symphony was originally called Ode to Peace and not Ode to Joy and was changed for political reasons - from Friede to Freude. A German lady professor convinced him otherwise. In Bonn he will find out the true story.

Lost train

Overheard on driver's intercom of a train halted between stations on London's Underground. "We have an unidentified train on the line. We are trying to find out where it has come from."

WHITEHALL SWI

"If I'd wanted to be a dynamic, decisive policy-maker, I wouldn't have joined the Civil Service in the first place."

Two as chairman of the Securities and Investments Board and thus have an opportunity to implement the new City regulatory structure. But Bank of England officials continue to pursue an increasingly unpromising search to find a suitable replacement when his three-year term expires on May 31.

A list of six candidates for the next SIB chairman has been drawn up by the Bank. Berrill appears as number six. The trouble is that little enthusiasm has so far been shown by the other five. One of those approached is Sir Nicholas Goodison, chairman of London's International Stock Exchange, who has refused, apparently on no less than two occasions, and made it clear that he is deeply unhappy with the entire new framework for investor protection.

Why is the Bank, which has joint responsibility with the Trade and Industry Secretary, Lord Young for appointing the

SIB chairman, so determined that Berrill should go? One reason is the lobbying of merchant bankers who have been outraged by the complexity and detail of the SIB rulebook which they claim will cramp their traditional free-wheeling style. David Walker, the Bank of England director, has been assured by City figures that on several occasions the Bank has not realised until the eleventh hour just how far the writ of the SIB, under the Financial Services Act, extends into its traditional domains including the money markets, the gilt-edged market, the foreign exchange market and bank supervision. It has then been rudely awoken.

1788 - 1888 - 1988

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to us it means the end of a different kind of servitude - the year when our founder finished his apprenticeship.

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BRITAIN'S Chancellor of the Exchequer, Mr Nigel Lawson, will further enrich the affluent on the day of March. We will have a fortnight in which to count our money — and then, on All Fools' Day, many of the poor and not-so-well-off will be made poorer. This may be hard to believe, but read on and you'll see that I'm not kidding.

The timetable is as follows: on March 16 Mr Lawson will present a fiscal statement that will almost certainly provide for a penny or two off the basic rate of income tax, with a reduction in the top marginal rates thrown in for luck. There will no doubt be other goodies. The total package will probably benefit most families, and a clear majority of the voters. If there is no such package we will all have made the biggest wrong guess since 1948, when the American polls and papers predicted that Dewey would beat Truman. A couple of weeks later, on April 1, a large proportion of the "underclass" — the virtually written-off poor — will come under a new social security and welfare regime that will leave many of them worse off. And some of those in the next layer up, not starving but well outside the circle of affluence, will also have less to spend.

Politics Today

Giving more to the rich and less to the poor

By Joe Rogaly



areas where the poor are concentrated, particularly in the inner cities, are of necessity well above average, since that is where the greatest need for local spending arises. Of course there are good-sounding reasons for all this. The saving on housing benefit in the coming financial year is itself small (£150m), but the Government's new plans for housing are likely to generate a large increase in rents and claimants. It seemed better to put some kind of a stopper on in advance. The saving on rates (about half a billion) is substantial, but it is to some extent offset by the concurrent increase in social security payments. The reasoning behind it is ideological — a belief that everyone should pay something towards the cost of local services.

Leave these reasons on one side for a moment and note another can die-end of saving. This is the new "Social Fund", which was debated in the House of Commons yesterday. The previous system allowed for one-off grants for emergency items, such as the replacement of lost clothing or the provision of vital furniture. If the regulations said a grant was payable, it had to be paid. Payments from the Social Fund will, however, be discretionary. Local officials may ask many pertinent, and some impertinent, questions before deciding whether to make a grant or loan. ("Have you tried asking a charity for money? Can your family help you?")

The old system might be now have topped £400m of annual expenditure on grants; the provision for 1988-89 is a cash-limited £202m, of which £141m is for interest-free loans. The old system was not easy to control and there were undoubtedly abuses. The new system will turn paupers into debtors. The local social security offices have been redesigned accordingly,

with strong counters and grilles to protect the clerks from irate claimants. Again, there are good-sounding reasons. Everyone should be helped to escape from the "dependency culture". If this means teaching the poor good husbandry, then that is what must be done; the ideologists' blind spot prevents them from seeing that there are substantial numbers of people in the underclass who cannot but be dependent.

Escape is anyway being made more difficult by the entire set of reforms. Their net effect on the "poverty trap" — the disincentive to taking on work that is provided by a falling-away of benefits — is com-

The government cannot plead overall poverty as a reason for holding back social security

licated to describe, but nevertheless adverse. The 100 per cent disincentive, where £1 of earnings is matched by a £1 reduction in benefits, goes. That is all fine and dandy, but far more people will be caught behind disincentives of 70 to 90 per cent. Overall as many as 150,000 more of the underclass will be entangled in the poverty trap. In other words at the lowest end of the scale people will be kept down because if they move up they will initially have to pay the equivalent of marginal tax rates of 70p to 90p in the pound while the rest of us will be enjoying Mr Lawson's largesse.

Again, the Government has been less than generous with the worst-

off pensioners. The average net incomes of Britain's 10m old people have increased by some 18 per cent in real terms since the Conservatives took office in 1979, but much of this comes from the rise in occupational pensions and income from savings. The 1.8m pensioners who take supplementary benefit and can therefore be assumed to have little else but what the state provides are on incomes pegged to the price index.

It would be wrong to add all this up and denounce the Government as being incorrigibly mean in such matters. To its credit, a great deal more money has been found for the sick and the disabled. Families with older children will be better off. The overall social security budget, which accounts for a staggering 30 per cent of public spending, has been reallocated rather than severely squeezed by the Tories (leaving aside the disengagement of benefits from the earnings index and the use of the cheaper prices in its place). The trouble is that the money is relative. What seems generous in lean years seems the opposite in fat ones. And the Conservatives' present strategies for the poor were devised in years in which the public sector borrowing requirement was running high.

That is now behind us. The Government can no longer plead overall poverty as a reason for holding back social security. The Labour Party is so keenly aware of this that it is planning to open up a "second front" following its successful campaign over the National Health Service. It should not be too hopeful; the middle classes have a vested interest in the proper funding of the NHS, but little interest in what happens to benefit claimants. The poor, defined as the losers after the Budget and the April social security changes, are an elec-

torally insignificant minority. They make up perhaps a quarter of the population but a far lower proportion of Tory voters.

The Government can deploy Mr John Major, Secretary of State for Social Services, when it wants to present a hard face on these matters, and Mr Nicholas Scott, his Junior Minister for Social Security and the Disabled, when it wants an emollient one. It is thus in the fortunate position of being able to talk both to those whose consciences trouble them and those whose wallets comfort them. If it is especially lucky, the Labour campaign will follow past form and give the impression that there is no need for expenditure control at all. It need not do so: there are long-term trends that will eventually wrestle down the cost of social security. One is the growth in occupational pensions (which the new "revisionist" Labour leadership must one day come to terms with), and the other is a fall in unemployment. For example, every 100,000 names off the unemployment register translates into a £220m saving in state spending, not to mention extra tax revenues generated.

The real debate should be about ethics. The Prime Minister, Mrs Margaret Thatcher, said in the House of Commons on Tuesday that "rising prosperity brings great benefits, but on its own it is not enough." And, she went on, "it is how one uses that prosperity that counts." She was of course talking about high moral standards and the Church of England, just as the Home Secretary, Mr Douglas Hurd, was talking about something other than social security when he recently called for greater cohesion in British society. In the end the Cabinet will no doubt feel obliged to appease Tory consciences by increasing expenditure on the very poor. But don't hold your breath.

Lombard

The poverty of prudence

By Clive Wolman

BRITAIN'S younger home owners long ago threw out the notion that borrowing was evil. Many indeed see large mortgages as a way of disciplining their spending. But the executives who control Britain's largest corporations continue to invoke antiquated concepts of prudence — and antiquated measures of their interest-paying capacity — to resist attempts to impose similar discipline on them.

Mr Alec Monk, chief executive of the languishing Dee Corporation supermarket group, now looks set to repulse the £2bn bid from Barker and Dobson, by raising the spectre of the merged company struggling with "mountains of debt", breaches of its loan covenants and a "stranglehold" of its bankers.

In a speech in April 1986, when Dee was at the peak of its stock market popularity after an ambitious acquisition programme, Mr Monk took a different line: "If someone else thinks that they can get more value out of the assets of Dee, then it is reasonable for the shareholders to sell out. I have always believed in the maximisation of shareholders' wealth."

It is not surprising that chief executives like to wield the maximum discretion over their company's cash flows without having to see most of it dedicated to interest payments. The surpluses can then be used to finance palm-lined atria in corporate headquarters filled with support staff of uncertain function. Even worse, the cash is used to indulge managerial megalomania by financing acquisitions which expand the resources controlled by the managers and shrink the returns to the shareholders.

In the US, the results of leveraged buy-outs and other moves to cut down managerial discretion by forcing companies to borrow heavily and pay out large sums to their shareholders have been striking. The big oil companies which were forced to borrow to the hilt in 1984-85 have made drastic cuts in their exploration departments,

Bias towards inflation

From Mr J.C.R. Dow.
Sir, When a company is dependent for its supplies on an essential component on only one source, it is vulnerable to strikes in the supplying company. Strikes or fears of strikes are likely to make the system as a whole more accommodating to pressure for higher wages.

Something like this has happened, perhaps, in the case of Ford. The evidence of its Belgian plant on supplies from the UK must have been one factor in making the company reopen what was previously stated to be its final offer.

From the point of view of minimising inflation, it is obviously harmful that companies should get into this position. Should not an effort be made — perhaps by the CBI or, failing that, by the government — to persuade companies to pay greater attention to such considerations in their planning?

Since double-sourcing, or the holding of precautionary stocks, is likely to add to companies' costs, an element of financial industry support would be helpful. The large stocks of coal that had been built up before the miners' strike were an important factor in its defeat, and it would seem worthwhile for careful consideration to be given to what might be done on these lines.

There is a significant inflationary bias in most modern economies, particularly, it

Letters to the Editor

seems, in that of the UK. It is again becoming increasingly obvious that despite the Government's present success in reducing the rate of price inflation, wage increases continue to be too large for continued stability.

Eradicating the inflationary bias is obviously difficult, but a determined counter-inflationary policy needs to do everything practicable to attack its structural causes. The term is often used vaguely, but in this case a supply-side approach might make clear sense.

J.C.R. Dow,
C.R.E. Club,
Fauld Road, SW1

The SIB deserves congratulations

From Mr Stephen Kingsley.
Sir, Professional oil traders most have read with some relief the announcement from the Securities and Investments Board (SIB) that the Brent market is to be exempted from most of the rules designed to ensure compliance with the Financial Services Act.

For some time now the Brent market has been a source of uncertainty as to whether it would be subject to the full force of the new legislation and its associated regulatory framework. For some of us, professionally involved in

advising the commodity trading industry, the issue appeared to be clear from the outset.

It seems to me that the fundamental intention of the Act was to protect the "amateur" participants in the financial markets from the abuses that had, undoubtedly occurred in the past. Equally it seems to me that the question of regulating the Brent market arose only because of an overly strict interpretation of the definition of investments — in this case "contracts for differences."

The truth of the matter is that the Brent market is a classic professional market which, if only by virtue of the size of each contract, is inaccessible to individual "investors." The market was created for oil companies and the major oil traders who act as intermediaries, and the SIB is to be congratulated on its pragmatic approach.

Stephen Kingsley,
2 Hoarcroft Avenue, NW2

Company size is not the problem

From Miss Catherine Griffiths.
Sir, Charles Batchelor's article "Computer Perils: costly repercussions of a little knowledge," (February 16) supports many of the findings of our own research. One point with which we would not entirely

agree is that "while larger concerns must have the resources to get it (buying computers) right, the smaller company often struggles."

Undoubtedly larger companies have greater resources, but we have found that the size of company and the amount invested in information technology bear no correlation to the success of managing that investment. Buying computers is no substitute for a well defined business strategy. Making a substantial investment, well-managed firms will actively drive towards a return on it, but the investment alone will not turn a badly managed organisation into a good one.

Catherine Griffiths,
Department of Computing,
Imperial College,
180 Queen's Gate, SW7

Criminals in good company

From Mr Rodney Milnes.
Sir, Clifford Haslam (Letters, February 15) urges the English National Opera to "abandon its only crime against the arts" — using Egypt as a translation.

Presumably he would also be arranging, before the Court of Heave, Verdi — who insisted, on the Paris Opéra performing *Otello* in French — and composers such as Mozart, Wagner, and so on, who always assumed that as a matter of course their works would be performed in the language of the audience.

Rodney Milnes,
15 Mountgrove Road, N5

In the Middle East there has been no immunity to misjudgement

From Mr Eloy Salmoos.
Sir, The FLO's attempt to call to Haifa with a shipload of Palestinian deportees does, in some ways, recall the 1940s, when "illegal" Jewish refugees attempted to run the blockade on the British navy to reach the shores of Palestine. I can understand why Edward Mortimer ("Sins of the fathers revisited," February 15) makes the comparison. It is, however, a very superficial one.

The Jewish survivors of Nazi extermination camps were not engaged in a dramatic propaganda exercise. Some 200 international observers of varying celebrity on board. Broken, desperate, crowded into often unseaworthy vessels, these refugees made their way not to "the refuge of their choice" — they had no choice — but to the only place in the world where they were wanted.

Referring to the conflict, Edward Mortimer then poses a perfectly valid question: "Can one misjudgement by one set of leaders (Arabs), in one quite extraordinary set of circumstances, really forfeit the national rights of an entire people for all time?"

The only just and moral answer has to be "No" — even if I can think of no example in history where a people went to war in order to deny the national rights of another people, lost the fight, and then claimed restitution for what they had thus lost, on moral grounds.

By the Arabs' misjudgment was not once only. Before the First World War, Arab leaders of the Pan-Arabic movement spurned overtures from a small, but not unimportant stream in the Zionist movement to agree to a Jewish autonomy in a part of Palestine, federated to a larger Arab entity, in return for a world-wide Jewish support for the Arab cause against the Ottomans. In 1925, Brit Shalom was created within the Zionist movement. It advocated a bi-national state in Palestine, for Jews and Arabs. This too was rejected by the Arab leadership of the day.

In 1937 the Arab leadership rejected out of hand the Peel Commission's partition plan, under which the Jews were to have a minuscule state along the coastal strip from Tel Aviv to just north of Haifa, and parts of Galilee. A year later the

Arab leadership gave the thumbs-down to the Woodhead Commission plan which envisaged a further reduced Jewish portion of Palestine in its partition configuration.

The UN partition which Edward Mortimer says the Arabs understandably rejected, and decided to fight, did give the Jews an area more than half of Palestine; half of it was the barren Negev desert. According to the UNSCOP report of August 3, 1947, the population in the areas earmarked for a Jewish state was: 498,000 Jews, 407,000 Arabs, and others. Not "just over half the population" Arabs, as Edward Mortimer says.

Following the Six Day War of 1967, the Israeli government under the then prime minister, Levi Eshkol, offered up the territories captured in the war in return for peace. The response came that autumn from the Arab summit conference in Khartoum: no to peace; no to negotiation; no to recognition. Repeated misjudgement seems to be at the heart of the Palestinian tragedy. Perhaps the most telling misjudgement has been Arab failure to recognise that the Jews' attachment to

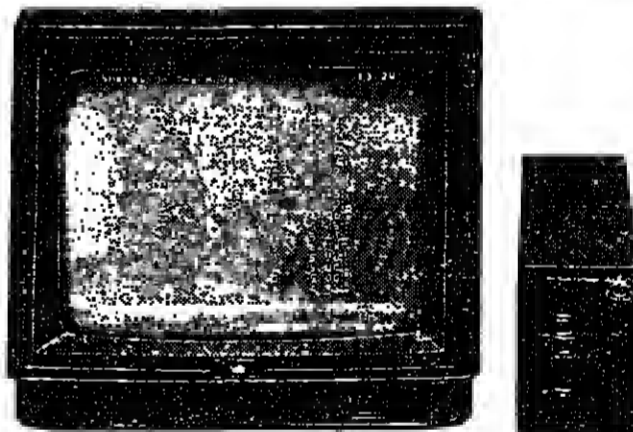
the land was as real and as deep as their own, mistaking the Jews' commitment and tenacity of purpose for Zionist conspiracies and "tricks."

The solution today is still partition, with Israel ceding the occupied territories. If the Palestinians truly accepted this solution, they would say so openly. A forthright, unambiguous declaration from the Palestinian leadership that they are ready to live in peace with Israel, and to accept the pre-1967 borders as a permanent solution, not a mere step on the way to "liberating" all of Palestine, would go a long way to allay Israeli fears about security.

Recognition by Israel that it must leave the occupied territories in order to gain lasting peace would quickly point to ways and means of doing so. But at least since Likud came to power in 1977 — Israel has shown that like the Arabs, it is not immune to misjudgement.

Eloy Salmoos,
21 Hildfield Park,
Hussell Hill, N10

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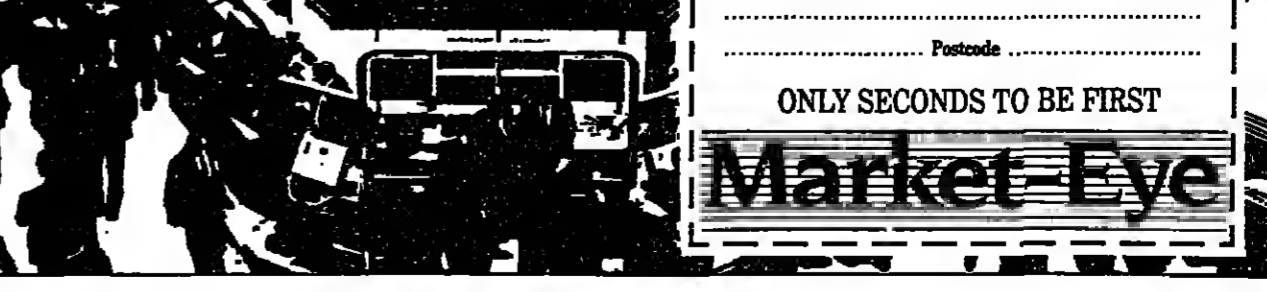
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ONLY SECONDS TO BE FIRST

Market-Eye

Resistance leaders jockey for position as Soviets prepare to withdraw, reports John Elliott in Peshawar

War of words rages over Afghanistan

SEVEN GUERRILLA leaders of Afghanistan's mujahideen resistance are locked in a battle of words in the western Pakistan border city of Peshawar over the sort of country that Afghanistan could become when - or if - the Soviet Union withdraws its 115,000 troops and its political control.



A Mujahideen anti-aircraft gunner fires on a Soviet helicopter with a .50 calibre machine gun

For eight years, the seven have lived in Peshawar in growing luxury, constantly escorted by Kalashnikov-toting guards, and driven in fleets of shiny new station wagons. But Mr Mikhail Gorbachev's announcement that Soviet troops could start withdrawing by mid-May has galvanised them into virtually constant session. Urged on by Pakistan, they need to agree on the details of policy before the indirect talks between Pakistan and Afghanistan are resumed in Geneva on March 2 so that they have a chance of turning the control of 80 per cent of the country exercised by their guerrillas into permanent political power.

An uncompromising anti-communist stance unites the seven who a year ago formed an alliance. Although they all come from the moderate Sunni branch of Islam, they are split ideologically into two camps. One camp consists of three groups of traditionalists and Muslim moderates who want to return to a liberal country, mainly based on old Afghan values and possibly including a role for a monarch.

The other four are revolutionary Islamic fundamentalists in pursuit of a strict Islamic state. They do not like comparisons with the Iran of Ayatollah Khomeini but want, according to their opponents, a centralised totalitarian regime. Each group is trying to design an interim government in a form which would help it later to achieve its long-term ideological aims.

Estimates of the total number of guerrillas vary from between 300,000 and 800,000. There are also several mujahideen groups operating from Iran, all of the Shia branch of Islam. Some of these Shia groups are larger than the smaller Sunni groups but are not active in the political manoeuvring.

Pakistan accused by Soviet Union

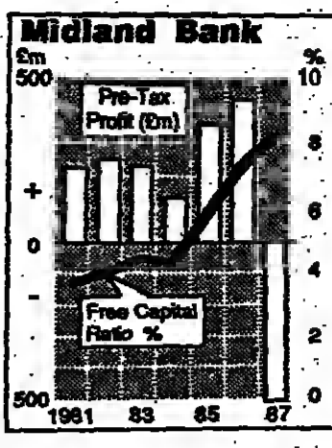
THE Soviet Union yesterday accused Pakistan of seeking to delay the signing of an Afghan agreement at peace talks due to resume in Geneva. Officials said Pakistan was creating obstacles by insisting that an interim Afghan coalition government be established ahead of an accord.

They all agree with their leaders that they will not fight until an interim government is formed. If Soviet troops start leaving first, they will be attacked. If the US stops its arms supplies, they have stocks for at least three to six months fighting.

THE LEX COLUMN

A dubious place in the record book

Almost all of the bad news about Midland Bank has been in the market for several months, but a 1987 pre-tax loss of £505m is still rather breathtaking. Not even the news that the mighty J.P. Morgan, one of the best capitalised banks in the world, had lost its coveted triple A credit rating was enough to distract attention yesterday from Midland's painful repetition of how it came to lose so much of its shareholders' money last year.



Perhaps the gilt market was right to ignore the banking figures, which are confused by round-tripping and borrowing to meet tax payments. But the earnings numbers, which show a rise both in productivity and in unit labour costs, demonstrate unequivocally the strength of the economy and the building of inflationary forces.

The embarrassment is heightened by the fact that for the first time in recent memory Midland is first among the big banks to report its annual results. While this might suggest something about the efficiency of Midland's new financial control systems, it does mean that it has had to explain its case more forcibly than the rest of the London clearing banks. By the time Lloyd's Bank reports its own substantial losses at the end of next week, fascination with big bank losses will probably have evaporated, especially since the bulk of the extra provisions for troubled Third World debts were made at the time of the interim profits season last summer. It did not take a genius to forecast that Midland was going to make a massive loss in 1987.

There are plenty of reasons why the current loss was on the high side, but for once there do not seem to have been any nasty surprises. Withdrawing from the UK institutional equities business is known to have been a costly exercise, and the only really worrying extra item in the figures is the deterioration in the cost/income ratio, which is a reminder of Midland's urgent need to push more business through its top-heavy structure.

Whistl Midland's 1987 loss will no doubt earn a place in the record books, it is in a sense of purely academic interest. The financial position of the group has been transformed over the last year. Despite the heavy provisioning, Midland now sports one of the strongest capital ratios of any international bank and has a new management team intent on 'revitalising' the bank. This familiar refrain has been heard before, but this time Midland may deserve a serious hearing.



George Shultz, US Secretary of State, with West German Chancellor Helmut Kohl in Washington yesterday

Kohl reaffirms commitment to short-range tactical missiles

CHANCELLOR Helmut Kohl of West Germany reassured the Reagan Administration yesterday that his government was opposed to the removal of all nuclear weapons from Europe. He told Mr George Shultz, US Secretary of State, that Bonn would adhere to a Nato commitment to modernise short-range missiles in West Germany, but he stressed the need for the Western alliance to draw up a common strategy for conventional and nuclear disarmament.

Kuwait refuses plea over shares in BP

By Max Wilkinson and Steven Butler in London

THE KUWAITI Government, which owns almost 20 per cent of British Petroleum, has refused to give an undertaking that it will stop buying shares in the company, it was disclosed yesterday. Sir Peter Walters, BP chairman said yesterday that he had recently held talks with Sheikh Ali Khalifa, the Kuwaiti Oil Minister and had told him that BP would not like the stake to be sold.

Markets

Anyone still warning of recession in the UK should have been silenced by yesterday's economic statistics. Both the real and monetary signals point the same way: once again, the leading indicators are pointing to a recovery. The picture, the response of the market seems extraordinary: equities, which should have been falling, while gilts, which should have suffered inflation and taken flight, managed to rise half a point.

Yeltsin axed from Politburo

Continued from Page 1. Mr Vladimir Scherbatsky, the 70-year-old Ukraine party chief and last surviving Politburo member with close links to Brezhnev, retained his position despite speculation that Mr Gorbachev might replace him.

Court ruling on the homeless curbs New York police powers

BY JANET BUSH IN NEW YORK

POLICE WILL no longer be allowed to arrest the thousands of homeless people who loiter in New York's bus terminals and railway stations by day and shack up on mattresses and cardboard boxes by night. The Court of Appeals, the highest court in New York, ruled yesterday that a law banning loitering in major transport centres such as Grand Central Station and the Port Authority Bus Terminal was unconstitutional.

World Weather table with columns for location, temperature, and other weather-related data.

Advertisement for 'New Fund Wealth' by Foreign & Colonial, featuring a large 'V' logo and text describing the fund's performance and investment strategy.

Vertical text on the far right edge of the page, including 'K for', 'Da We', 'He', 'Sharp earnings Crown', and 'Bank'.

Advertisement for WOLSELEY THE NAME BEHIND THE NAME, featuring logos for BUILDERS CENTER, HOWARD, Familliam, Sparex, and WOLSELEY.

SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES

Friday February 19 1988

Showing the way in telecommunications

FERRANTI INTERNATIONAL

Kuwait Petroleum poised for continued expansion

BY STEVEN BUTLER IN LONDON

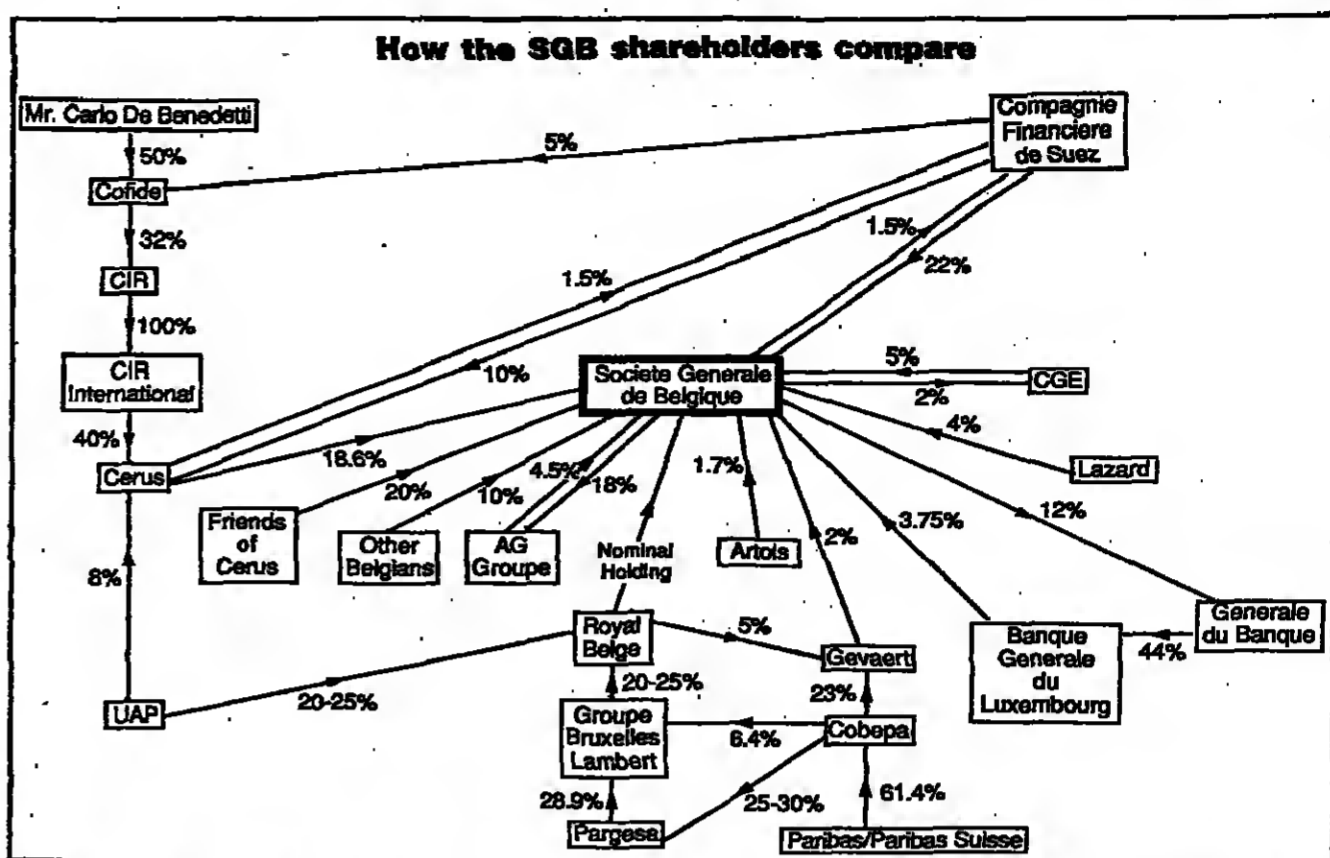
MR NADAR SULTAN, president of the state-owned Kuwait Petroleum International, yesterday issued the clearest statement yet of what he described as KPI's aggressive intention to continue expansion in the refining and marketing of oil products.

Refined petroleum products are not covered by the Opec pricing agreement. "Both in the UK and in other existing markets, we have clearly identified the benefits of larger size and, where we can, we will pursue aggressive opportunities for joint ventures in distribution and marketing to gain some economies of scale," Mr Sultan said.

Générale stake sold by Royale Belge

By Tim Dickson in Brussels

THE WEB of alliances around Société Générale de Belgique (SGB) grew thicker and more complex yesterday when Royale Belge, Belgium's second largest bank, announced that it had sold a small but significant stake in SGB to Banque Générale de Luxembourg.



Mr. Carlo De Benedetti, the second biggest holding company in Belgium which is headed by the financier Mr Albert Frère. It is well known that Mr De Benedetti, through his Paris based holding company Ceres, is hoping to do a deal with Mr Frère and Groupe Bruxelles Lambert.

Daimler-AEG in talks over Westinghouse transport link

BY DAVID GOODHART IN BONN AND RODERICK ORAM IN NEW YORK

DAIMLER-AEG, the West German conglomerate, has begun talks with the transport division of Westinghouse of the US with a view to establishing a transport systems joint venture.

These include ventures with Toshiba on television pictures, Mitsubishi on power circuit breakers and General Electric on some semiconductor.

Strong DM hits Daimler-Benz profits

BY ANDREW FISHER IN FRANKFURT

DAIMLER-BENZ, the diversified West German motor group, turned in flat profits last year, with exports affected by the strength of the D-Mark, especially against the dollar.

but also increasingly at home. The creation of Japanese capacity in the US, where there was now a currency advantage, was an extra challenge for the German car industry.

Hewlett-Packard jumps 54%

BY LOUISE KEHOE IN SAN FRANCISCO

HEWLETT-PACKARD, the US electronics and computer manufacturer, yesterday reported a 54 per cent rise in net earnings for the first quarter of its 1988 fiscal year.

Net earnings for the first quarter were \$178m, or 71 cents per share, up from \$116m, or 45 cents per share last year.

Ferruzzi to purchase Lesieur oils unit

By George Graham in Paris

MR BERNARD DUMON, chairman of St Louis, said goodbye yesterday to his ambitions to turn his company into France's second largest foods group.

Advertisement for Optec Dai-ichi Denko Co., Ltd. offering U.S. \$70,000,000 in 5 per cent Guaranteed Notes due 1993 with warrants. Lists various banks and financial institutions as subscribers.

J.C. Penney posts profit fall at operating level

BY JAMES BUCHAN IN NEW YORK

J.C. PENNEY, the third largest US general retailer, yesterday reported a 10.7 per cent rise in net income in the fourth quarter. But operating profits fell because of flat sales and a competitive Christmas season.

Controls had cut costs as a percentage of sales and interest expense was down thanks to the refinancing of debt and lower rates.

Sharp fall in earnings for Crown Life

By David Owen in Toronto

CROWN LIFE, the large Canadian insurance group, has reported a sharp downturn in operating income to C\$63.1m (US\$49.9m) for its year ended December 31 on revenues of C\$3.6bn.

Bank in UK financial sector survey

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

THE BANK OF ENGLAND is to conduct a major survey of the attitudes of the UK financial services industry towards the proposed liberalisation of the European Community market in 1992.

give indications in speeches or articles of its general findings. Although the basic purpose of the survey is fact-finding, it is also part of a drive by the Bank to raise the level of awareness in the UK about the EC's plans for 1992, and their implications for the financial sector.

Lord Young, the UK Trade Secretary, has also appointed a group of senior financial and industrial figures to consider the issues raised by 1992. It is chaired by Sir David Scholey, the chairman of S.G. Warburg Group, and includes Mr David Walker, executive director of the Bank of England.

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INTL. COMPANIES AND FINANCE

Ahold U.S.A., Inc.

a wholly-owned subsidiary of

Koninklijke Ahold N.V.

has acquired an 80% interest

in the capital of

FNS Holding Company, Inc.

parent of

First National Supermarkets, Inc.

The undersigned initiated this transaction and acted as financial advisors to the parties.

Lazard Frères & Co.

Lazard Frères et Cie

February 17, 1988

Viag sees sharp gain in earnings

By Heig Simonian in Frankfurt

VIAG, the West German energy, aluminium and chemicals group, "appreciably" increased its after-tax profits last year at both group and parent company level. In 1986, profits rose to a record DM149m (\$87.6m). Earnings, which will not be formally announced until June, rose in both the energy and chemicals divisions, while falling in aluminium, where the result was nevertheless "satisfactory," the company said. Group turnover declined by 2 per cent to DM8.5bn, largely on account of lower prices for natural gas. Overall, aluminium accounted for 52 per cent of sales, followed by energy with 34 per cent and chemicals with 14 per cent.

Viag, which lifted its 1986 dividend by DM1 to DM6 a share, gave no indications about its latest payout. However, it said prospects for 1988 looked encouraging. The group has taken a 34.5 per cent stake in Alumental, a leading producer of aluminium castings, and an 11 per cent share in Progen Biotechnik. Volume sales of primary aluminium virtually doubled last year to 243,000 tonnes thanks to higher exports, while sales of pressed and finished products maintained the previous year's level. However, the decline in sales revenues resulted in lower profits compared with 1986. Viag's total fixed investment in 1987 amounted to DM813m.

Subaru suspends payout as higher yen takes toll

By RODERICK ORAM in NEW YORK

SUBARU OF AMERICA, the only publicly quoted importer of Japanese cars in the US, has suspended its dividend because of financial strain from the high yen. Once a stock market favourite for its rapid growth and profits, it suffered a severe setback last year as the escalating yen pushed up prices of imported cars. The problem was compounded by Subaru's switch from cheaper, more utilitarian cars, on which it had made its reputation, to up-market models. With buyers baulking at the high-priced cars, its inventories peaked last spring at levels equal to about 110 days' supply, compared with a more normal level of 70.

The importer cut its prices and promoted models to bring stocks down to today's level nearer 80 days' supply. The financial damage was great, however, and the company reported a loss for its fourth quarter ended October 31 of \$14.9m against a year-carrier net profit of \$21.6m. Sales were \$377.6m against \$467.4m. The full-year loss was \$30m against a profit of \$93.4m on sales of \$1.79bn, compared with \$1.94bn. A Subaru of America official said the company's problems were typical of importers of

Japanese cars but its status as a public company had made them more obvious. The company is only 49 per cent owned by Fuji Heavy Industries, the cars manufacturer, whereas the other importers are wholly owned subsidiaries. Reflecting reduced inventories and other measures, it recently reported a first-quarter profit of \$520,000 against \$24.5m a year earlier on sales of \$516.9m, compared with \$556.8m. Mr Harvey Lamm, chairman, said it was prudent, however, to "preserve our financial liquidity" by dropping the 99-cent-a-share quarterly dividend.

valued dollar, ferocious Japanese competition and the industrial recession in the US. Between 1980 and 1987, the company's worldwide employment fell from 13,750 to less than 9,000 as sales stagnated. However, in the past year it was becoming increasingly apparent that these cutbacks and the attempts to diversify from machine tools into related industries failed to generate the hoped-for financial payoffs. The restructuring will cut 800 jobs, all US-based.

Milacron to reduce workforce

By ANATOLE KALETSKY in NEW YORK

CINCINNATI MILACRON, the biggest US machine tool manufacturer, is to cut its workforce by more than 11 per cent over the next 18 months. The layoffs and early retirements would be part of a major corporate reorganisation designed to make the company "acceptably profitable" in the face of low levels of demand for machine tools and robots. Milacron has taken a special charge of \$83m to cover the costs of the restructuring programme, resulting in a fourth

quarter net loss of \$85.3m or \$3.56 a share. In the last quarter of 1986, the company made profits of \$7.4m or 31 cents. The Milacron announcement appears to be the culmination of a protracted management struggle over the future of one of America's most famous manufacturing companies. It had been undergoing repeated restructurings since 1980, when its position as the world's leading machine tool builder was threatened by several factors, including the over-

valued dollar, ferocious Japanese competition and the industrial recession in the US. Between 1980 and 1987, the company's worldwide employment fell from 13,750 to less than 9,000 as sales stagnated. However, in the past year it was becoming increasingly apparent that these cutbacks and the attempts to diversify from machine tools into related industries failed to generate the hoped-for financial payoffs. The restructuring will cut 800 jobs, all US-based.

New Issue February 1988 These Bonds having been sold, this announcement appears as a matter of record only.



Kymmene Corporation

Helsinki

DM 100,000,000

5 3/4% Bearer Bonds of 1988/1993

Issue price: 100 1/2%
Repayment: February 18, 1993
Listing: Frankfurt (Main)

BHF-BANK

Banque Indosuez

Commerzbank Aktiengesellschaft

DG BANK Deutsche Genossenschaftsbank

Kreditbank International Group

The Nikko Securities Co. (Deutschland) GmbH

Postipankki Ltd

Banca del Gottardo

Den Danske Bank

Union Bank of Finland Ltd

Banque Paribas Capital Markets GmbH

CSFB-Effektenbank

Dresdner Bank Aktiengesellschaft

Merrill Lynch International & Co.

Nomura Europe GmbH

Schweizerische Bankgesellschaft (Deutschland) AG

Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft

Privatbanken A/S

Vereins- und Westbank Aktiengesellschaft

Citibank Aktiengesellschaft

Deutsche Bank Aktiengesellschaft

Genossenschaftliche Zentralbank AG - Vienna

Morgan Stanley GmbH

Norddeutsche Landesbank Girozentrale

Schweizerischer Bankverein (Deutschland) AG Investment banking

Bayerische Vereinsbank Aktiengesellschaft

Svenska Handelsbanken Group

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

18th February, 1988.



MITSUI PETROCHEMICAL INDUSTRIES, LTD.

(Mitsui Sekiyukagaku Kogyo Kabushiki Kaisha)

U.S.\$150,000,000

4 3/4 per cent. Guaranteed Bonds due 1993.

with Warrants

to subscribe for shares of common stock of Mitsui Petrochemical Industries, Ltd. The Bonds will be unconditionally and irrevocably guaranteed by

The Mitsui Bank, Limited

(Kabushiki Kaisha Mitsui Bunko)

Issue Price 100 per cent.

Nomura International Limited

LTCB International Limited

Crédit Lyonnais

Daiwa Europe Limited

IBJ International Limited

Merrill Lynch International & Co.

Morgan Stanley International

Prudential-Bache Capital Funding

Union Bank of Switzerland (Securities) Limited

Mitsui Finance International Limited

Banque Bruxelles Lambert S.A.

Credit Suisse First Boston Limited

Dresdner Bank Aktiengesellschaft

Kleinwort Benson Limited

Mitsui Trust International Limited

The Nikko Securities Co., (Europe) Ltd.

Salomon Brothers International Limited

S. G. Warburg Securities

Yamaichi International (Europe) Limited

NOTICE OF AN EVENT OF DEFAULT

MORAN ENERGY INTERNATIONAL, N.V.
8 1/2% CONVERTIBLE SUBORDINATED DEBENTURES
DUE 1995

This NOTICE OF AN EVENT OF DEFAULT pursuant to Section 5.08 of the certain Indenture dated November 1, 1980 among MORAN ENERGY INTERNATIONAL, N.V. (the "Company"), MORAN ENERGY INC., whose successor by merger is KANEB SERVICES, INC. (the "Guarantor"), and FIRST CITY NATIONAL BANK, TRUSTEE (the "Trustee"), as supplemented by the First Supplemental Indenture dated March 20, 1984 among the Company, the Guarantor, and the Trustee (the "Indenture"), is made and published by FIRST INTERSTATE BANK OF TEXAS, N.A. (formerly known as ALLIED BANK OF TEXAS), SUCCESSOR TRUSTEE (the "Successor Trustee") pursuant to that certain Four Party Agreement dated January 30, 1987 among the Company, the Guarantor, the Trustee, and the Successor Trustee.

The Company has failed to pay to the Successor Trustee an interest payment, which under terms of the Indenture was due on November 1, 1987, and the Company has not paid the November 1, 1987 interest payment within a period of thirty days after the payment was due. Such failure to pay within thirty days after such due date constitutes an event of default pursuant to Section 5.01 of the Indenture. Additionally, the Successor Trustee has been informed that there have been events of default under terms of indebtedness owned by a separate subsidiary of the Guarantor, and that under the terms of the Indenture such events of default may prohibit the making of any payment of monies to or by the Successor Trustee in respect of the Indenture. Pursuant to Section 5.01 of the Indenture, if an event of default occurs and is continuing, then either the Successor Trustee or the holders of not less than 25% in aggregate principal amount of the debentures (or such lesser amount as shall have acted at a meeting of the holders of the debentures pursuant to Section 8.05 of the Indenture) by appropriate written notice may declare the principal of all the debentures to be due and payable immediately. However, as of this date the Successor Trustee has not declared the principal of the debentures due and payable as a result of such default. Additional written inquiries may be directed to the Successor Trustee at the following address: First Interstate Bank of Texas, N.A., Corporate Trust Department, First Interstate Bank Plaza, 6th Floor, 1000 Louisiana, Houston, Texas 77002.

FIRST INTERSTATE BANK OF TEXAS, N.A.
Successor Trustee

U.S. \$400,000,000



The Kingdom of Belgium
Floating Rate Notes Due February 1991

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest has been fixed at 7% for the Interest Determination Period 19th February, 1988 to 19th August, 1988. Interest payable on 19th August, 1988 will amount to U.S.\$8,847.22 per U.S.\$250,000 Note.

Agent Bank:

Morgan Guaranty Trust Company of New York
London

DnC

Den norske Creditbank
Primary Capital Perpetual
Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from February 19, 1988 to May 19, 1988 the Notes will carry an Interest Rate of 7 1/8% p.a. and the Coupon Amount per U.S.\$10,000 will be U.S.\$179.69.

February 19, 1988, London
By: Citibank, N.A. (CSI Dept.), Agent Bank



U.S. \$400,000,000

Banque Française
Du Commerce Extérieur

Guaranteed Floating Rate
Notes due 1987

For the three months February 19, 1988 to May 19, 1988, the Notes will bear interest at 7 1/8% per annum. U.S. \$179.69 will be payable on May 19, 1988, per U.S. \$10,000 principal amount of Notes.

February 19, 1988

Have your F.T.

hand delivered

every working day

if you work in the

business centres of

MALMO,

STOCKHOLM or

GOTHENBURG

Copenhagen
(01) 134441

And ask K. Mikael Høegs

for details
FINANCIAL TIMES

The Council of Europe Resettlement Fund
for National Refugees
and Over-Population in Europe

¥10,000,000,000
Floating Rate Notes due 1994
(the "Notes")

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from 19th February, 1988 to 19th August, 1988 being the second Interest Payment Date (as defined in the terms and conditions), the Notes will carry an Interest Rate of 5% per annum. Interest payable on 19th August, 1988 will amount to ¥249,315 per ¥10,000,000 Note.

Agent Bank
The Long-Term Credit Bank of Japan, Limited
Tokyo

NOTICE OF NOTEHOLDERS

OPTIONAL REDEMPTION

FORSTA SPARBANKEN

(the "Issuer")

U.S. \$40,000,000

Subordinated Floating Rate

Notes due 1990

(the "Notes")

In accordance with Condition 7 (c)

of the Notes, notice is hereby given

to the Holders of the Notes of their

option to redeem such Notes at

their principal amount on the next

interest payment date, being 15th

May, 1988. Such Notes (together

with all unissued Coupons apper-

taining thereto) must be deposited

with any Paying Agent named on the

Notes (and in the case of a Regis-

tered Note, with the Transfer

Agent) between 2nd March, 1988

and 15th March, 1988. Any Note so

deposited may not be withdrawn

without the prior consent of the

Issuer.

Noteholders attention is drawn to

Condition 8 of the Notes relating to

Payments.

Manufacturers Hanover Limited

Principal and Paying Agent

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INTL. COMPANIES AND FINANCE

Amax plans to recover lost ground

AMAX, THE US natural resources group, will spend \$80m on its coal business - the third-largest of its kind in the US - in 1988 to make up for past years of under-investment. Mr Allen Born, president and chief executive, said yesterday. He added that during the period from 1982 to 1986, when Amax suffered severe losses from its molybdenum and other metals operations, cash was siphoned from the coal business, which now needed re-equipping. Mr Born described the coal division, which typically sells more than 90 per cent of its production of about 30m tons a year to utilities on long-term contracts, as "un glamorous but a very steady business producing a good cash flow." Amax has been extensively restructured since 1985 and is now concentrating on four core businesses: aluminium, coal, gold and molybdenum. Aluminium dominates, providing about 60 per cent of turnover, or \$2bn out of \$3.5bn, but last year coal contributed \$103m in net earnings before tax, compared with the \$290m from Alumax, the group's aluminium company.

A programme to expand its coal business is to be undertaken by the natural resources group, headed by Allen Born (right). Kenneth Gooding reports



1988 "in healthy shape," with \$120m cash in the bank and a positive cash flow. Debt had been reduced last year by more than \$1bn to \$1.3bn from cash flow, \$361m of asset sales and a \$410m equity issue. This would save \$50m to \$60m in interest payments in 1988. Total capital investment this year would reach \$225m, up by \$30m from the 1987 level, of which a "modest" \$100m would be spent in the aluminium business to keep the group's 110 fabrication facilities up to scratch. Amax acquired the 50 per cent of Alumax it did not already own in November 1986 and the aluminium company had previously invested heavily. Mr Born said Amax wanted to build up its gold production from the current 200,000 oz a year to between 500,000 and 1m oz. The group had made an offer for 100 per cent of Aztec Exploration, a Western Australian company, which, if successful, would not only increase Amax's gold interests but would also be a first step toward re-establishing the group in Australasia.

Gold provided earnings of \$41m. After making provisions totalling \$356m to cover the permanent closure of some production facilities, the molybdenum operations showed a \$431m loss and this cut the group's unaudited net earnings for 1987 to \$61.2m. Mr Born, in London to talk to investment institutions and analysts, said that, following

the restructuring, the molybdenum business would be profitable this year. He pointed out that Amax made more up-graded molybdenum products than any other group and insisted that the future of the molybdenum conversion plants - including one in the UK and another in the Netherlands - was "safe." They were working at full capacity. He said Amax had entered

German bank raises lending to DM15bn

INDUSTRIEKREDITBANK - Deutsche Industriebank (IKB), the West German bank specialising in long-term lending to small and medium-sized industry, believes it has come up with evidence that medium-sized businesses have been less unsettled than generally assumed by last autumn's stock market crash. IKB, which, at the end of December, reached for the first time a balance sheet volume of DM20bn (\$11.76bn), boosted long-term lending by 7.5 per cent to DM14.8bn in the first nine months of the business year which ends on March 31. This was a sign, according to Mr Walter Krueger, the chief executive, that medium-sized companies which form the bulk of the bank's 7,000 corporate customers had proved relatively resistant to the October

stock price collapse. The bank's interest surplus and its partial operating earnings interest surplus, less running costs, each rose 6.3 per cent in the first nine months to DM204m and DM125m respectively. Mr Krueger said the bank, which counts among its owners the country's three top commercial banks, the Deutsche, Dresdner and Commerzbank, looks likely to pay an unchanged DM5 dividend for the 1987-88 year. IKB was founded in 1924, with the aim of financing Germany's reparations burdens stemming from the First World War. Its pre-war headquarters in Berlin were demolished by bombing in the Second World War, and the site is now the home of the East German Foreign Ministry.

IKB, although with its main offices in Düsseldorf, has maintained a second headquarters in, and a strong business link to, West Berlin. It is heavily engaged in raising funds for the city through tax-sheltered issues to private and institutional investors. Additionally, 2,300 of its total corporate customers are enterprises in West Berlin, many of them small firms. About DM2.5bn of its long-term loan book represents credits to Berlin companies. The bank's links with the smaller business sector have enabled it to weather the general flattening of corporate credit demand during the past 18 months of sluggish economic growth. The bank reckons that its growth rate of long-term lending

during the nine-month period was almost double the 4.5 per cent increase in long-term corporate lending by all West German banks during the same period. However, its plans to build up business in bringing smaller companies to the bourse have suffered a setback. According to Mr Krueger, the number of companies actively planning stock market quotations has fallen markedly since October, reflecting the fall in West German stock prices which has gone well beyond the international average over the period. IKB is still advising about 30 companies which are preparing eventually for a stock market quote - but whether their plans meet success will clearly depend on the bourse pulling out of its present depressed phase.

Asahi Glass climbs 19% to Y61.8bn

By Ian Rodger in Tokyo
PRE-TAX profits of Asahi Glass, the leading Japanese flat-glass maker, rose 19 per cent to Y61.8bn (\$474.5m) last year, due to a second-half resurgence in the domestic economy and the benefits of internal cost-cutting. Overall sales rose 2.5 per cent to Y721.2bn. Sales of glass and construction materials, accounting for 62.7 per cent of the total, slipped 0.5 per cent to Y350.4bn. Demand for float and figured glass was sluggish, but sales of high performance glass for construction rose as did those for glass-fibre reinforced cement. Chemical sales, accounting for 37.2 per cent of the total, rose 2.3 per cent, while ceramics sales fell 2 per cent to Y23.7bn as demand for refractory products declined. Net income rose 23.2 per cent to Y32.6bn or Y28.68 per share. The company is forecasting a 13 per cent rise in pre-tax profits this year to Y70bn, on an 8 per cent increase in sales to Y780bn.

S Africa Toyota boosted by improved car market

By Jim Jones in Johannesburg
TOYOTA, South Africa's largest motor manufacturer, increased sales and revenues in 1987, even though its share of the motor vehicle market slipped. Toyota of Japan has no equity interest in the South African company, though the Japanese company is the principal foreign supplier of components. Last year Toyota of South Africa sold 48,785 cars, representing 24.3 per cent of the total market. In 1986 the company sold 45,384 cars and had a 26 per cent market share. Turnover figures have not been disclosed, but pre-tax profits more than tripled to R106.4m (\$61.1m). The South African vehicle market is recovering from recession and several years of poor consumer confidence and spending on durables. Last year total car sales rose by 15.1 per cent to 200,824 vehicles from 174,453 in 1986. Volkswagen and Delta (formerly a unit of General Motors) were the principal beneficiaries of last year's recovery, with both companies increasing market penetration. Mr Colin Adcock, Toyota's chief executive, believes the total vehicle market will grow by some 10 per cent this year and that his company will maintain its market share. He believes car price increases will be less than the average inflation rate. Net earnings rose to R20.56 a share from R5.05. The year's dividend has been increased to 300 cents from 100 cents. Associated Engineering South Africa, the local affiliate of Turner & Newall of the UK, benefited from strong growth in demand for motor spares in the 15 months to December. Turnover rose to R93.6m from R68.6m, with pre-tax profit at R11.5m against R4.9m. The directors say demand for automotive products grew as the average age of vehicles in South Africa increased. The company's competitiveness against imports has been enhanced by a weaker rand. Net earnings were 28.7 cents against 12.8 cents. Dividends have been resumed with a 45 cents payment.

Trust Bank lifts disclosed income by 20%

By Our Johannesburg Correspondent
TRUST BANK, South Africa's fifth largest bank, lifted its disclosed after-tax profit by 20 per cent in the six months to December. The interim profit, which is declared after undisclosed transfers to and from contingency reserves, increased to R24m (\$11.5m) from R20m in the corresponding 1986 period. The disclosed profit was R47.8m in the last full year. The directors say total assets grew to R11.1bn at the end of December, from R9.5bn at the end of June. Advances increased to R7bn from R5.8bn, largely because of aggressive marketing of home loans. Mortgage lending has recently been one of the fastest growing credit sectors as banks and building societies have cut interest rates to boost their share of the deregulated market. Since the start of 1988, however, the country's commercial banks have increased their prime overdraft lending rate to 13 per cent from 12.5 per cent. This has raised fears that a recovery from recession based on cheap money could be retarded. Disclosed first-half net earnings rose to 18.1 cents a share from 4.5 cents. Trust Bank is controlled by Sanlam, South Africa's second largest insurance company.

Strong gains at Alcan Australia

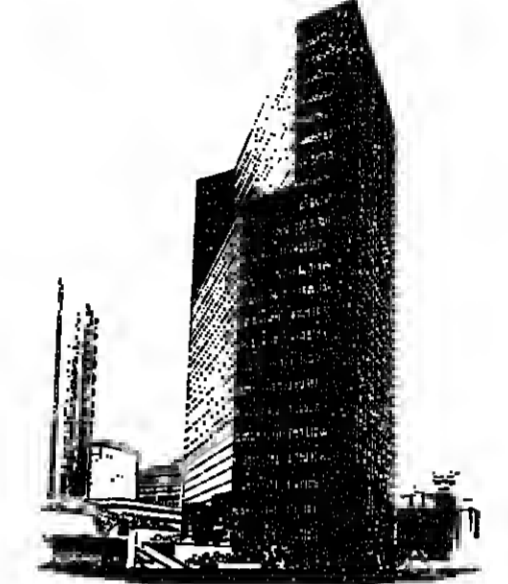
By Bruce Jacques in Sydney
ALCAN AUSTRALIA, one of the country's big aluminium producers, reaped the benefit of rising world prices for the metal by more than quadrupling net profits for 1987. The company, a 73 per cent subsidiary of Alcan Aluminium of Canada, lifted earnings to A\$42.54m (US\$30.4m) from A\$10.63m on a 27 per cent sales rise to A\$54.2m from A\$42.65m. The annual dividend has been more than doubled to 7 cents a share from 3 cents. Directors said the result reflected higher prices, but also tight control of costs. The bulk of the recovery came from ingot sales with valuable contributions from sheet, foil and extrusions. The company's increased cash flow, which nearly doubled to A\$94.5m, allowed directors to make early repayment of US\$19.75m of Eurobond borrowings. This meant the result included A\$9.5m abnormal profit arising from the repayment. Energy Resources of Australia, the leading uranium producer, showed a 3.5 per cent dip in net profits to A\$31.04m in its first half to December.

\$110,500,000



has sold
First Interstate Plaza
San Diego, California
to
Prime Property Fund
a pooled equity real estate account for pension funds

managed by
EQUITABLE REAL ESTATE INVESTMENT MANAGEMENT INC.



The undersigned acted as financial advisor to and exclusive agent for BetaWest Properties, Inc. in this transaction

Kidder, Peabody & Co.
Incorporated

Garrick Foods Limited

has been acquired by

CPC (United Kingdom) Limited

The undersigned advised Garrick Foods Limited on this transaction.

Chase Investment Bank Limited

January 1988



MANUFACTURERS HANOVER

OVERSEAS CAPITAL CORPORATION
US\$ 150,000,000
Guaranteed Floating Rate Subordinated Notes due August 1996

Notice is hereby given that the interest payable for the interest period 28th August, 1987 to 29th February, 1988 calculated up to and including the 19th February, 1988 will be \$395.17 per \$10,000 coupon and \$1,975.86 per \$50,000 coupon.
19th February, 1988
MANUFACTURERS HANOVER LIMITED
AGENT BANK

YOKOHAMA ASIA LIMITED
(Incorporated in Hong Kong)
U.S.\$100,000,000
GUARANTEED FLOATING RATE NOTES DUE 1997

Unconditionally and irrevocably guaranteed by THE BANK OF YOKOHAMA, LTD. (Incorporated in Japan)
Notice is hereby given that the Rate of Interest for the interest period has been fixed at 7.1875% p.a. and that the interest payable on the relevant Interest Payment Date, May 19, 1988 against Coupon No. 11 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$179.69 and in respect of U.S.\$250,000 nominal of the Notes will be U.S.\$4,492.19.
February 19, 1988, London
By: Citibank, N.A. (CSI Dept.), Agent Bank **CITIBANK**

First Olsen Tankers Limited

Private Placement of Equity

A newly formed corporation sponsored by Citicorp and Fred. Olsen & Co. to invest in crude oil tankers. Subscriptions in First Olsen Tankers Limited were placed privately by Citicorp with a group of international investors.

This transaction was initiated by Citibank, N.A. (Shipping).

Investment Manager: Fred. Olsen & Co., Oslo (Norway)

Placement Managers: Citicorp Private Bank (Switzerland) Citicorp Investment Bank Ltd.



INTERNATIONAL CAPITAL MARKETS AND COMPANIES

George Graham on growing official concern over mergers France weighs up takeover turmoil

TAKEOVERS ARE not a frequent event in France. Last year only a dozen took place and only two were hostile. In 1986 there were 11 takeovers, and in 1985 eight.



Edouard Balladur consent needed for some investment

European Community - and the responsibility for letting a French company pass overseas into the hands of les radeurs would be placed firmly at his door.



Archibald Cox: time for a change

Cox quits as Morgan Stanley's UK chief

By Stephen Fidler, Eurmarkets Correspondent

Issues aim to fill gap in long-dated dollar sector

By CLARE PEARSON

THE EUROPEAN Investment Bank and the City of Oslo both launched 10-year Eurobonds yesterday, hoping to take advantage of a scarcity of long-dated Eurodollar paper in the market.

fees. It was led by Banque Paribas Capital Markets. Deutsche Bank Capital Market's C\$75m three-year 9% per cent issue for Crefin Finance, a vehicle for Credit Communal de Belgique, was also viewed reasonably favourably, and was also bid at a discount of 1% points to its 10 1/2% issue price.

In March 1991 at a rate of 107% per cent, less the Japanese government bond future settlement in December 1990.

INTERNATIONAL BONDS

Canadian dollar and US dollar short-dated bonds stands at about 100 basis points. Perhaps reflecting investors' disinclination to buy medium-dated paper, Societe Generale's C\$100m five-year deal for Royal Trustee seemed to have the hardest time in the market yesterday.

Switzerland, most foreign bond prices again closed slightly easier. But recent issues traded in the grey market tended to reappear earlier losses. For instance, a SFr200m 5 per cent 20-year bond for Sweden improved by 1/4 point to 104 1/2.

US banks criticise Moody's downgrading

J.P. MORGAN, the last remaining US bank holding company to enjoy a triple-A credit rating for all its debts and securities, has reacted critically to the downgrading announced on Wednesday night by Moody's Investors Service, Anatole Kalitzky in New York writes.

demoted from Aaa to Aa1, there are only about 12 banks left in the world with such a halved triple-A rating from both Moody's and its main rival, Standard & Poor's.

attracted Morgan's critical comments. Morgan noted that J.P. Morgan has a "unique absence of double leverage" in its accounting for the holding company and the bank.

US banks criticise Moody's downgrading

With Morgan's senior debt demoted from Aaa to Aa1, there are only about 12 banks left in the world with such a halved triple-A rating from both Moody's and its main rival, Standard & Poor's.

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Balladur probes into use of Matif

MR EDOUARD Balladur, the French Finance Minister, has ordered an enquiry into the use made by French state-owned companies of the financial futures market (Matif) and other new financial instruments, Reuters reports from Paris.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Bond Name, Issued, Bid, Offer, Day, Week, Yield, and other financial metrics.

SUMITOMO METAL MINING CO., LTD. U.S.\$150,000,000 5 per cent. Guaranteed Bonds Due 1993 with Warrants. The Sumitomo Bank, Limited. ISSUE PRICE: 100 PER CENT.

Repsol boosts pre-tax profit to Pta57.4bn

By Peter Bruce in Madrid

REPSOL, THE big Spanish oil and petrochemicals group due to be partially privatised later this year, said yesterday it had nearly doubled its pre-tax profit to Pta57.4bn (\$500m) in 1987.

According to provisional figures, the group's pre-tax profits rose 97 per cent from 29.2bn in 1986. The board part of the flotation that most observers expect should take place in the autumn. The group does not expect the Government to be offered by weaknesses in the stock markets.

Table with columns for Bond Name, Issued, Bid, Offer, Day, Week, Yield, and other financial metrics. Includes sections for US Dollar, Yen, Swiss Franc, and other international bonds.

UK COMPANY NEWS

Third World debts hit Midland

BY DAVID LASCHELLES, BANKING EDITOR

A SHARP increase in provisions for its loan exposure to the Third World took Midland Bank, the smallest of the Big Four clearers, into a £506m loss last year. The group also suffered heavy losses in its institutional equity business, now discontinued.

But Sir Kit McMahon, chairman, described 1987 as "fundamentally a clean-up and reconstruction year", and claimed that Midland would emerge from the results season as the most strongly capitalised of the major clearers. Midland will also maintain its dividend at 20.1p after adjustment for last year's rights issue.

Midland's operating profit before tax was £511m, an increase of 18 per cent on the £434m it earned in 1986. But the group made an exceptional charge of £1,020m for its Third World loans. Of the charge, £910m was taken at the interim stage. In the second half of the year, Midland added a further £100m, as forecast last November when Hongkong and Shang-

hai Bank took its 14.9 per cent stake.

Sir Kit said the provisions were equivalent to 29 per cent of Midland's exposure to 44 countries in financial difficulty. If trade credits and other short term loans were excluded in line with US practice, the provisions would rise to 34 per cent. Midland's total exposure is \$4.1bn, which was reduced from \$5.1bn the year before owing to the decline in the dollar.

Among Midland's operating divisions, UK banking produced the strongest result by increasing pre-tax profits by 35 per cent from £294m to £396m. Higher loan volumes and better margins as well as increased fees helped the outcome. Forward Trust, the finance house subsidiary, raised its earnings from £41m to £62m.

Profits from international banking fell from £54m to £13m because of the effect of Third World debt, notably the loss of £71m in interest from

Brazil which announced a payment moratorium. Midland's subsidiaries in West Germany and France, Trinks and Burkhardt and Midland Bank S.A. made lower profits because of problems in their local markets, and UBAF, the consortium bank in which Midland has 25 per cent stake, had to make heavy provisions which cost the bank a further £21m.

Midland Montage, the investment banking arm, also had a difficult year. Profits fell from £83m to £41m due to losses of £46m connected with the institutional equities business. Of this, £35m were trading and dealing losses, and £11m were provisions for discontinuing the business. However, other parts of investment banking such as treasury, gilt-edged dealing, corporate finance and venture capital did well. Sir Kit said: "We think investment banking - other than equities - is a good business and has weathered the storms extremely well."

Assets rise 18.7% at Throg USM

By Heather Farnborough

SHARE PURCHASES following the stock market crash helped Throgmortton USM Trust increase net assets by 18.7 per cent from 119.9p to 142.3p per share over the year to December 31.

The Datastream USM Leaders Index, representing the top 100, or about 55 per cent of USM stocks, rose by 4.3 per cent over the same period, while the Financial Times Aztecas Index rose by 4.2 per cent.

"During October and November, we were fully invested," said Mr Gary Fitzgerald, the trust's manager. "We used our borrowing powers as so investment trust to buy stocks at reasonable prices. As the markets have recovered, we are selling more assets in cash."

At the end of January, net assets per share had risen to 159.7p per share. Mr Fitzgerald said he was cautious about the stock market in the immediate future, but confident that small companies would continue to outperform the market in the event of an economic downturn.

The trust has around £30m under management, compared with £20m at its launch in February 1986. The Throgmortton Trust owns 30 per cent of the ordinary shares, the Prudential has 51 per cent and the Co-operative Insurance Society 5.5 per cent. Ensign Trust announced yesterday that it had increased its convertible preference shares from 750,000 to 890,000, which would equal 20.6 per cent of the equity on full conversion.

Earnings per share were 2.3p (1.88p) and a maintained dividend of 1.60p is proposed. Total revenue was \$1.2m (£899,000) before expenses and interest charges of £537,000 (£285,000).

Plessey blames orders jam for decline in profits to £37.1m

BY DAVID THOMAS

Plessey blames the bunching of telecommunications, and defence orders for a 17.7 per cent decline in third quarter pre-tax profits to £37.1m. Sales in the period ending December 1987 were down 16.9 per cent on sales of £408.9m (£484m) for the nine months.

However, the company said that a strong order book and the staging of major orders would result in a good performance in the final quarter. At the end of December, the order book was £1,550m, 15 per cent up on the beginning of April.

Sir John Clark, Plessey's chairman and chief executive, said: "We have the orders in place and the profit milestones in prospect, which firmly supports a strong performance further all business, thus closing the year with a record fourth quarter."

The City, which had generally anticipated even worse results in the third quarter, reacted to this statement by marking the shares at 152p, up 6 1/2p.

Plessey also confirmed that from next year it would cease to report following the relaxation of New York Stock Exchange listing requirements for foreign companies.

Pre-tax profits for the nine months ending December 1987 fell 20.5 per cent to £105.3m on sales down 13.7 per cent at £384.2m.

A large part of the decline was due to the telecommunications division which had operating profits of £36.6m (£58m) on sales of £246.9m (£284m) for the nine months.

The company said fewer deliveries to BT of the System X public exchange were offset by a strong performance in transmission and its Stromberg-Carlson subsidiary in the US.

Plessey, which said it was still discussing with BT the latest tranche of exchange orders, expects a strong pattern of System X deliveries in the fourth quarter.

Mr Stephen Walls, finance director, said Plessey's joint venture with the General Electric Company in telecommunications equipment was still on course to start operating at the start of April. Plessey would consolidate the results of the joint venture and would treat rationalisation costs, offset by the £45m GEC was paying Plessey, as an extraordinary item.

The electronic systems division, profits fell to £22.6m (£33.9m) on sales of £313.7m (£346.4m), due to the incidence of profit milestones on major term, contracts such as long

sonar programmes.

Aerospace and engineering, where the company's US dynamics business and Birkbys Plastics performed strongly, saw an increase in profits to £11.6m (£10.7m) on sales of £78.2m (£84m).

Profits almost halved in the microelectronics and components business to £3.5m (£6.6m) on sales of £95.7m (£97.8m).

Plessey said the benefits of its acquisition of Ferranti's semiconductor business would be felt slightly in this quarter and more strongly next year.

Operating profits for the nine months were £87.1m (£119.9m). Investment income was £14.6m (£11.9m) and taxation £36.9m (£46.4m). There was an extraordinary credit of £1m from disposals, compared with an extraordinary charge of £3.5m for rationalisation costs in the previous nine months.

Earnings per share after extraordinary items were 8.24p (11.05p). Spending on research and development showed a 7 per cent increase in the period, while the workforce stood at 30,500 at the end of 1987, almost 2,000 down on the previous year.

Cambridge Instruments suspended

By David Waller

Shares in Cambridge Instruments, maker of scientific instruments, were suspended yesterday at the company's request after it fell to an all-time low of 43p in response to adverse press comment.

At the suspension price, Cambridge is capitalised at approximately £46m. This compares with a value of £127m put on the company when it rejoined the market last March after an absence of more than 20 years.

The company's advisors, Kleinwort Benson, said an announcement would be made on Monday after Dr Terence Gooding, chairman, had returned from the US.

Cambridge's shares have suffered since it rejoined the market due to its exposure in the US and because of fears of difficult trading conditions. They fell by more than 20 per cent on November 20 last year after the company reported a fall in operating profits.

Photo-Me growth held back by strong sterling

BY FIONA THOMPSON

Photo-Me International, manufacturer and operator of photographic booths, reported pre-tax profits of £6.68m for the six months to October 31 1987, compared with £6.05m in the same period last year. The strength of sterling in relation to overseas currencies had an adverse effect on the results, the directors explained.

Photo-Me's most recent full year results showed two-thirds of sales and half the profits coming from overseas.

Last year Photo-Me celebrated its silver jubilee as a public company. After 41 years in business it has operations in more than 100 countries including the US and Japan. Pre-tax profits in the past five years have climbed from £2.62m in 1982 to £9.5m for 1987.

Turnover rose to £39.51m from £34.23m for this interim period. Tax took £2.52m (£2.35m) to leave earnings per share at 11.44p (10.18p). An interim dividend of 0.6p (0.4p) was declared.

The company said that, subject to no significant movement in the exchange rates prior to the year end, trading results for the second half would be at least comparable with those achieved in 1987.

ML Holdings pays £7.25m for Bosunmark

By Dominique Jackson

ML Holdings, the acquisitive manufacturing engineer, has agreed to acquire Bosunmark in a deal worth about £7.25m.

ML has received irrevocable undertakings in respect of more than 80 other small businesses in the last 18 months and in January announced a one-for-three rights issue to fund further acquisitions.

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Assets rise 18.7% at Throg USM

By Heather Farnborough

SHARE PURCHASES following the stock market crash helped Throgmortton USM Trust increase net assets by 18.7 per cent from 119.9p to 142.3p per share over the year to December 31.

The Datastream USM Leaders Index, representing the top 100, or about 55 per cent of USM stocks, rose by 4.3 per cent over the same period, while the Financial Times Aztecas Index rose by 4.2 per cent.

"During October and November, we were fully invested," said Mr Gary Fitzgerald, the trust's manager. "We used our borrowing powers as so investment trust to buy stocks at reasonable prices. As the markets have recovered, we are selling more assets in cash."

At the end of January, net assets per share had risen to 159.7p per share. Mr Fitzgerald said he was cautious about the stock market in the immediate future, but confident that small companies would continue to outperform the market in the event of an economic downturn.

The trust has around £30m under management, compared with £20m at its launch in February 1986. The Throgmortton Trust owns 30 per cent of the ordinary shares, the Prudential has 51 per cent and the Co-operative Insurance Society 5.5 per cent. Ensign Trust announced yesterday that it had increased its convertible preference shares from 750,000 to 890,000, which would equal 20.6 per cent of the equity on full conversion.

Earnings per share were 2.3p (1.88p) and a maintained dividend of 1.60p is proposed. Total revenue was \$1.2m (£899,000) before expenses and interest charges of £537,000 (£285,000).

Holmes & Marchant in £3m Facet deal

BY DOMINIQUE JACKSON

Holmes & Marchant, marketing consultant group, is to make its second acquisition in less than a month with an agreed bid for Facet Group Holdings to a maximum consideration of £3m.

Consideration is payable as £800,000 upon completion and £2,200,000 in a maximum of 24 months, dependent upon Facet's pre-tax profit level over the five years ending September 30 1992.

Marlow-based consultancy Holmes & Marchant acquired public relations company, Counsel Group last month, also for £3m.

Facet is a broadly-based communications consultancy with services ranging from corporate identity, training programmes and promotional campaigns.

It made pre-tax profits of £291,000 in the year to end April 1987. Net assets at the same date amounted to £554,000. Some 25 per cent of turnover was generated by services to European clients.

Holmes & Marchant said Facet, based in Leigh-on-Sea, Essex, would provide it with its first regional design agency in line with plans to build up a regional network of agencies.

Each instalment of the further consideration will be satisfied, at the option of Holmes & Marchant, either in cash or shares, or a combination of both.

Midway leap for Owen & Robinson

Owen & Robinson, wholesaler and retail jeweller, has made considerable progress.

In the half year ended November 29 1987 the group achieved turnover of £3.9m and pre-tax profit of £211,000. The results included post acquisition figures of Norman Lawrence of Hatton Garden and H. Lawrence, acquired on September 14, and the Russell companies purchased on November 9.

For the like 1986 period figures have been adjusted to include agency jewellers. Turnover was £2.63m and profit nearly £10,000.

The directors said they were looking for a satisfactory outcome for the full year, but the major benefits of the recent expansion would accrue next time. They would continue to pursue the goal of operating more than 60 branches within five years.

In the wholesale division, sales in December were well ahead of budget but January had not been so buoyant. An agreement had been concluded with a major mail order company which would expand its agency jewellers' and add to future profitability.

The retail side traded profitably, but benefits of operating from the larger branch network were expected to come in the next financial year.

Earnings for the half year worked through at 8.42p (loss 0.028p) and the interim dividend is doubled to 0.6p on capital increased by the rights issue.


There was an attributable loss of £47,000 (£160,000) after acquisition costs of £243,000 (£161,000).

This announcement appears as a matter of record only.

£30,000,000

Revolving Loan Facility

for



ARRANGED BY

Riggs A P Bank Limited

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Bank of Scotland	NMB Bank London Branch
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First Interstate Bank of California	The Royal Bank of Canada
Leopold Joseph & Sons Limited	Yorkshire Bank PLC

AGENT BANK

Riggs A P Bank Limited

December, 1987

Expamet moves

Expamet International has disposed of Special Metals (Fabrication) in the UK to AMAX Corporation for £268,049 plus repayment of a parent company loan of £633,101. AMAX has also taken over an overdraft of about £100,000.

The group has also sold the business of Expanded Metal Corporation in the US to Alabama Metal Industries for an initial payment of \$1.5m (£660,000) and a further \$1.15m in 10 quarterly instalments over the next 30 months.

In addition, Expamet has acquired a 25 per cent equity stake in KES Security Systems for \$225,000 (£200,000), with a further 27 per cent to be acquired in December 1988 and an option to acquire the balance at the end of 1993.

Throgmortton Dual up 33%

Pre-tax revenue of The Throgmortton Dual Trust, expanded by 33 per cent to £804,000 in the six months to end-January 1988, but due to the increase in the trust's income share capital as a result of the reconstruction in 1986, earnings per share for the period fell from 3.07p to 2.54p.

Net asset value per capital share stood at 713.8p compared with 610.1p at January 1 1987, and 937.5p at the year-end in July.

Stocklake down halfway

EXCHANGE RATES adversely affected the interim results of Stocklake Holdings, where, for the six months ended September 30 1987, pre-tax profits fell from £1.55m to £1.5m. The results excluded the company's associate, Northern Shipbuilding and Industrial Holdings.

The directors added that while the group had continued to trade profitably since September 1986, the increase in overseas rates of exchange the results for the year as a whole were likely to be further adversely affected.

They are holding the interim dividend, however, at 3p. Earnings per share worked through slightly lower at 21.2p (22.4p) after a tax charge of £782,000 (£864,000).

The company's activities are in exporting, importing and distributing, steel stockholding, and financing. Its turnover for the period increased from £12.04m to £12.09m. Overseas profits were translated into sterling at the rates of exchange ruling at the end of each financial period.

Local London acquisition

Local London Group, the business centre company, has spent £12.04m in acquiring the freehold interest of College House in Kensington, west London. The consideration is to be satisfied with a cash payment of £8.1m and by the issue of 1m new shares worth £4.45m.

Local London currently operates a business centre in approximately one third of the building; it intends to develop the remaining space over the next eighteen months to provide an additional 51,000 sq ft of business centre accommodation.

British Satellite Broadcasting

Domestic Receiver Equipment Manufacture

LAST CALL TO EQUIPMENT SUPPLIERS

BSB is seeking suppliers of domestic receiver equipment for its new UK DMB satellite television service starting in Autumn 1989.

BSB is keen to make contact with manufacturers and suppliers with an interest in the opportunity.

For further information contact:

David Eggle, Director of Technical Services, British Satellite Broadcasting, Park Lane Suite, 14 Old Park Lane, London W1Y 6AL.

By e-mail: dte@bsb.com, or by fax: 01-262 5116



Notice of Redemption

U.S. \$100,000,000

Australia and New Zealand Banking Group Limited

11 1/4% Notes due 1990

NOTICE IS HEREBY given that in accordance with Clause 4(b) of the Terms and Conditions of the Notes, the Bank will redeem all of the outstanding Notes at their principal amount on 22nd March, 1988, when interest on the Notes will cease to accrue.

Repayment of principal will be made upon presentation of the Notes with all unexercised Coupons attached, at the Offices of any one of the Paying Agents mentioned hereon.

Accrued interest due 22nd March, 1988 will be paid in the normal manner against presentation of Coupon No. 3, on or after 22nd March, 1988.

Bankers Trust Company, London
19th February, 1988

Agent Bank

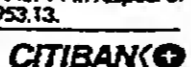
CORRECTION NOTICE

US\$250,000,000 Floating Rate Subordinated Capital Notes due August 1994

CITICORP

Notice is hereby given that the interest payable on the relevant Interest Payment Date, February 23, 1988, for the period November 14, 1987 to February 14, 1988 against Coupon No. 14 in respect of US\$250,000,000 nominal of the Notes will be U.S.\$753.13.

February 19, 1988, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank



T-Line takes 4.72% of Wholesale Fittings

BY DAVID WALLER

SHARES in Wholesale Fittings, the wholesale electrical distributor, leapt by 37p to 467p yesterday after it was disclosed that Thomson T-Line, the acquisitive mid-conglomerate which last month clinched the £80m purchase of Vernons Pools, now held a 4.72 per cent stake.

Wholesale said that it had noticed TTL accumulating its stake over a period of some months and felt that the holding was now sufficiently large to merit disclosure to shareholders. TTL responded by saying that the holding was an "investment" and that it had no present intention to make an offer for the company.

Based in Essex, Wholesale Fittings supplies electrical goods to contractors via 27 outlets. In the six months to October 10 last year, it made pre-tax profits of £2.52m on turnover of £21.5m. At the closing price yesterday, the company has a market capitalisation of approximately £65m.

TTL is an industrial holdings company with interests in the development, assembly and supply of electrical and electronic components as well as industrial fasteners, joinery manufacture, chemicals - and

Nationwide Anglia

£300,000,000

Floating Rate Notes

Due 1996

(Second Series) (Issued by Nationwide Building Society)

Interest Rate: 8.8925% per annum

Interest Period: 18 February, 1988 to 18 March, 1988

Interest Amount per £5,000 Note due 18 March, 1988: £35.23

Interest Amount per £50,000 Note due 18 March, 1988: £352.30

Agent Bank: Baring Brothers & Co., Limited

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
BP	fin	8	May 19	7.67	12.5
Cresta Holdings	fin	0.75	Apr 30	0.75	0.75
Invest Guernsey	fin	1.21	-	1.1	1.8
Milidank	fin	11.27	Apr 5	0.5	27
Owen & Robinson	int	0.57	Apr 1	0.28	0.75p
Photo-Me	int	0.8	-	0.4	1.8
River and Merc	fin	1.77	-	0.8	5.674
Stocklake Hldgs	int	3	-	3	12
Throgmortton Dual	int	2.6	Apr 5	1.5	1.5
Throgmortton USM	fin	1.6	Apr 29	1.6	1.5
Vantage Secs	fin	2	-	1.4	2.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. †Unquoted stock. ‡Third market. †Dividend gross; carries scrip option. ‡Adjusting for rights issue the total dividend is held at 20.1p. *To reduce disparity. †On capital increased.

UK COMPANY NEWS

BP replacement cost profits down 26% at year-end

BY MAX WILKINSON, RESOURCES EDITOR

British Petroleum yesterday revealed a 26 per cent fall in its replacement cost after tax profit for 1987.

On a historical cost basis, the after-tax profit of £1.36bn was 70 per cent higher than the £817m recorded in 1986. But after subtracting stockholding gains reflecting the recovery of oil prices, the replacement cost profit was reduced to £1.31bn in 1987 compared with £1.78bn in the previous year.

Sir Peter Walters, chairman, described the final figures as a robust result in view of the effect of the dollar's decline on upstream earnings and the industry-wide squeeze on refining and marketing margins since 1986.

An increased final dividend of 8p per share is proposed - making 12.5p for the year - and shareholders are to be offered the option of taking their dividend in the form of new ordinary 25p shares.

BP said that 1987 had been one of the most significant years in its history, marked by the £4.7bn acquisition of the 45 per cent of Standard Oil of the US which it did not already own and the raising of £1.45bn of new equity as part of the Government's share sale in October.

In December, BP started buying Britoil shares in preparation for a full bid. It has now obtained 80 per cent of the equity, and Sir Peter said he is

still hoping for 100 per cent. Sir Peter said that the company's debt to debt plus equity ratio had risen to about 40 per cent as a result of the Britoil purchase, compared with the level of around 30 per cent at which it stood a year ago and which represented the company's "comfort level".

He said that BP was expecting to make disposals of some £600m to £1bn to help reduce the debt ratio to nearer 35 per cent by the end of this year.

Yesterday's results showed a substantial improvement in fourth quarter replacement cost profits to \$394m, compared with \$202m a year earlier.

Last year, BP's average daily oil production rose to 1.51m barrels per day compared with 1.43m b/d in 1986. BP's production from the UK North Sea fell from 484m b/d in 1986 to 464m b/d, but this was offset by an increase in Alaska from the newly developed Endicott field and some increase from other worldwide interests.

BP's cash flow in 1987 was \$5.2bn, below the level of the last two years in sterling terms, but at \$6bn, the highest for five years in dollar terms.

Total capital expenditure in 1987 was \$4.9bn, just under half of it in the exploration and production sector. In 1988 capital expenditure, excluding the purchase of Britoil, is expected to rise to \$6bn.

See Lex

REPLACEMENT COST OPERATING PROFITS (£m)		
	1986	1987
Exploration & production	1005	1098
Refining & marketing	1307	429
Chemicals	238	218
Financial	45	125
Other	(20)	(37)
Total	2631	2785

Crescent Japan scrip proposal voted down

BY NIKKI TAIT

A PROPOSED scrip issue of warrants by Crescent Japan, a \$110m specialist Japanese investment trust run by Edinburgh Fund Managers, was yesterday voted down by shareholders.

According to EFM, the eight shareholders present at the meeting split equally between those in favour of the scheme and those against. When a subsequent poll was called, 27 per cent of the total equity was voted. Of these shares, only 17 per cent were in favour of the warrant issue and 83 per cent were against.

The largest block of shares opposing the scheme was an 18.68 per cent holding built up by four members of the American Grace family and three other associated individuals. The second largest holder in Crescent Japan, insurance company Sun Life with 6.74 per cent, declined to comment on yesterday's meeting. Sun Alliance holds 5.4 per cent.

One reason put forward for the main opposition to the scheme was the change in the

EFM management contract, spelt out in particulars of warrant proposals. Fees on the five-year contract have been increased from 0.5 per cent a year to 0.75 per cent. The contract could be highly relevant if the trust came under predatory attack, given the extensive five-year notice period.

EFM, however, said yesterday that it was "extremely surprised" that shareholders had decided against an effective reduction in the discount, and added that no shareholder had raised the question of the increased management terms.

Crescent Japan is one of a number of investment trusts - predominantly the Japanese specialists - to run into problems recently. Drayton Japan, managed by MID, is battling to get its split level reconstruction scheme through in the face of opposition from 27 per cent shareholder, AJS Partners, and a reconstruction at three lvy & Sime trusts has run into some investor disquiet.

Matt Brown profits lower

Brewer Matthew Brown reported taxable profits of £8.62m for the 53 weeks to October 3 1987, compared with £10.13m for the previous 52-week period. Turnover was up from £56.64m to £59.4m. The absence of a final dividend leaves the total for the year at 3.76p (14p).

An extraordinary debit of £1.28m (£1.94m) related to the costs of the company's unsuccessful defence against the Scottish & Newcastle Breweries bid.

Earnings per share were put at 28.48p (29.07p).

Home Brewery at £18,000

In the half-year to November 1 1987 Home Brewery, a subsidiary of Scottish & Newcastle Breweries, returned profits of £18,000 pre-tax. The directors pointed out that the company had changed its year end to April 30 and gave comparative figures of £2.23m for the half year to March 31 1986 when the said the company was fully trading.

First half turnover totalled £18,000 (£28,71m for period). After tax of £6,000 (£959,000) profit attributable was £12,000 (£1.33m). Earnings per share were put at nil, against 21.6p.

Stonehill cuts losses halfway

Stonehill Holdings, furniture maker, reduced pre-tax operating losses from £1.39m to £334,000 for the 28 weeks ending October 13 1987. Turnover improved to £7.05m against £6m.

Mr Philip Steinberg, chairman, said that since the consortium takeover of 51 per cent of the company on October 21, £3m had been injected into the company following the rights issue. There had been a rationalisation of production, a review of other costs, and the introduction of new product ranges.

Trading performance had improved during the second half and the directors anticipated further improvements, he added.

Attributable losses for the period were £350,000 (£1.17m) and losses per share fell to 17.71p (21.51p).

Over 1987, net asset value of Vantage Securities increased by 18.2 per cent to 37.9p, before dilution of warrants.

The directors took a cautious view in the middle of the year, so that when the October stock market crash occurred a defensive portfolio and considerable liquidity were held. Since then a more optimistic view had been taken and liquidity reduced.

For the year net earnings rose from £58,000 to £83,000, and the dividend is being lifted from 1.9p to 2.6p with a final of 2p.

During the year there was an offer for the company's shares, followed by board changes

Alphameric expands in data broadcasting

Alphameric, computer keyboard and terminal manufacturer, is to expand its data broadcasting arm with the purchase of ICG Industries and certain assets of its parent company, International Gemma Group, for £884,366 cash.

HG specialises in data broadcasting and electronic displays. Data broadcasting is the use of television wavebands to transmit commercial or other data to widely scattered users.

The cash will be raised from Alphameric's resources. Investors in industry (31) has agreed to subscribe for 1.5m new unquoted 7 per cent convertible preference shares at 51 each.

Vantage Securities net assets rise

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Hepworth Ceramic bids £78m for Henderson

A BID battle broke out yesterday over Henderson, Romford-based manufacturer of doors and security products, as Hepworth Ceramic unveiled a £77.8m cash offer, writes Nikki Tait.

Two weeks ago Newman Tonks, Midlands-based door controls and building supplies group, won the Henderson board's backing for a predominantly-paper bid.

With Newman Tonks shares up 3p at 182p, the earlier bid is now worth 348p a share - just 2p below the Hepworth 348p cash terms.

The immediate response from the Henderson board was to issue a holding statement, as a flurry of meetings with both suitors got under way. Henderson said it had noted the new offer and would write to shareholders as soon as possible.

The Hepworth bid follows the purchase by the building materials company of a key 22.5 per cent stake in Henderson built up by Evered, the acquisitive industrial holdings group. Evered, which had previously been considered a possible suitor itself, acquired its holding at an average price of 339p and will show a gross profit of £635,000 on the stake. Yesterday, Mr Osman

Abdullah, Evered's chief executive, conceded that the company had considered an offer to buy Henderson but had decided to concentrate on the quarrying side. Yesterday, Evered shares gained 3p to 117p.

Hepworth currently operates in four main areas - clay pipes and plastic plumbing products, domestic heating boilers and room

heaters, refractory products and the processing of silica sands for the glass and foundry industries. Under a relatively new management team, however, it has been diversifying away from the predominant clay pipe business, and yesterday chief executive, Mr Sinclair Thomson, stressed the attractions of shifting further towards consumer-based branded building products.

Newman, on the other hand, claims that there is strong synergy between the two groups, notably between Henderson's sizeable door interests and its own door controls business. Newman owns just 2.5 per cent of Henderson's shares. Shareholders speaking for 18.2 per cent of the equity had previously indicated that they would back the merger, though not irrevocably.

Pundits surprised at identity of rival suitor

THERE are few certainties in the market these days, but the emergence of a rival suitor for Henderson, always looked odds-on. What caused a few pundits to blink yesterday was the identity of Newman Tonks' adversary - building materials and security products group, Hepworth Ceramic.

The initial reaction is surprise," commented one analyst yesterday. "When you consider, Hepworth is into construction, but Newman always seemed a pretty good fit."

Henderson has looked to be "in play" since early 1987. The company started life over 50 years ago, making gears for sliding doors but today has three main divisions: one making sliding door gear, garage doors and ladders, a second concentrating on industrial and vehicle doors/partitions, and a third security business, with products ranging from gates

and road blockers to keys and locks.

Having enjoyed a strong profit run in the five years to 1984-1985, Henderson hit problems. It lost out to Newman Tonks in a bid battle for R. Cartwright, a small building and security products group. More damagingly, it saw stiff competition in its main garage door market and ran into operating problems - including a labour dispute - at its Normand electrical motors business. No sooner had Henderson decided to dispose of Normand, than its security division dipped into the red - entailing further management restructuring.

The upshot was a fall in pre-tax profits from £5.61m in the year to March 1985, to £5.52m in 1985/86, and £4.42m last time. That caused the shares to drift from around the 280p level in early-1985, to under 180p by mid-1986.

In early 1987, managing director Mr Norman Parker was obliged to quit for health reasons, to be replaced by joint m/ds, Mr Tom Dodd and Mr Angus Clark. By then, however, the shares were firming as Carousol Investments, a Swiss-based company in which Ahmed Abdullah - brother of the Abdullah duo who run the acquisitive Evered group - started to nibble. In October, the Carousol interest - then 14.3 per cent - was sold to Evered which subsequently built it up to almost 24 per cent.

Midlands-based door controls and building products group, Newman Tonks, watched Evered with acute interest. Having been on the receiving end of an unwanted bid itself in 1986, Newman had seen a new generation of top management take over - and hit the acquisition trail with a vengeance.

The synergy with Henderson, argues Mr Doug Rogers, chief executive, is considerable. "We are dominant in door controls and hardware. Henderson are dominant in doors and door gear." Some 90 per cent of Newman's profits come from making branded products for the building trade. And there is the added appeal of linking Newman's US expansion with Henderson's stronger European presence. For that reason, argues Newman, the offer took the form principally of a share swap - a "genuine" merger.

Clearly, however, the Newman-Tonks offer - when it came two weeks ago - posed a problem for Evered. A bid was one option, but Evered has been putting a good deal of emphasis on the future expansion of its recently-acquired quarrying interests. Moreover, its own paper was being badly hit in the October crash. Its exit is little

surprise.

Hepworth's arrival, by contrast, raised a few eyebrows yesterday. Like Newman, Hepworth also has a new management team, headed by Mr Sinclair Thomson, chief executive.

Their strategy is to push the company away from its dependence on clay pipe manufacturing, which accounted for more than two-third of trading profits in 1984, and into higher growth areas. Last April Hepworth bought two heating businesses from TI for £64m and shed some underperforming US operations. By the end of 1987, net cash stood at some £40m.

Mr Thomson concedes that there is no product overlap with Henderson, but stresses the common distribution and specification chains. Hepworth's central heating products, plastic pipe, and clay pipe products go through builders' merchants - the same routes as

Henderson garage doors. Hepworth's product range has provided experience of builders' and architects requirements.

Both suitors appear to be tracking Henderson when its fortunes are on the turn. The company reported an encouraging profits bounce-back to just over £3m pre-tax (£2.21m) in the first half, and its own brokers were forecasting around £5.9m for the full year ahead of those figures. Even on a more modest £6.5m, the exit multiple of the Hepworth offer is 19 times.

But, generous though that looks, the market - pushing Henderson shares up 13p to 354p - clearly scents more. On the one hand, Newman will claim the more obvious fit; on the other, Hepworth's terms are both marginally higher and cash. Battle looms.

Nikki Tait

BP GROUP RESULTS, 1987

A momentous year for BP

WHAT WE DID

We acquired the remaining shares in Standard Oil, reinforcing our position as one of the three largest oil companies in the world.

We carried out exploration in 27 countries, increased oil production by 5.6%, and still managed to increase our reserves by 7%.

We confirmed our commitment to the North Sea by making our offer for Britoil.

We achieved a 70% increase in historical cost profit.

We were able, for the fifth year in succession, to announce an increased dividend to shareholders.

HOW WE DID

KEY FINANCIAL RESULTS		
	1987	1986
GROUP PROFIT (before extraordinary items)		
-Historical cost	£1391m	£817m
-Replacement cost	£1308m	£1779m
Earnings per share	24.9p	14.9p
Dividend per Ordinary Share for full year	12.5p	11.67p



Britain at its best.

COMMODITIES AND AGRICULTURE

Forecast of sugar deficit cut by London brokers

BY RICHARD MOONEY

C. CZARNIKOW, the London broker, has reduced its estimate of the world sugar supply/demand deficit for 1987-88 to take account of improved prospects for beet sugar production, particularly in the Soviet Union.

In the latest issue of its Sugar Review, Czarnikow puts total beet and cane sugar output in the year to August at a record 102.89m tonnes, up from 102.81m tonnes projected in its November review. It has also raised its consumption forecast, from 105.95m tonnes to 106.68m tonnes.

After allowing for 500,000 tonnes of what is described as "non-statistical disappearance" Czarnikow now estimates the 1987-88 draw-down from stocks at 3.3m tonnes, compared with 3.7m tonnes projected last November.

The review reports "clear indications that earlier assessments of the Soviet crop will need to be raised considerably."

Earlier forecasts of a possible poor performance this season had been based on the late plantings caused by the severe 1986-87 winter and the autumn weather, which halted the catching-up process that had gone on through the summer.

But then came a "reprieve in the weather", Czarnikow says. "From October onwards conditions dried out and cold weather held off until the very end of field operations."

Comparison of official sugar production figures with statistics for raw sugar imports make it "hard to avoid the conclusion that the domestic crop may have achieved some 1.65m tonnes of sugar," the review states.

As a result it suggests that this season will see Soviet free market imports limited to be between 500,000 and 750,000 tonnes.

Czarnikow also expects higher beet output in the US,

SRI LANKA will import about 300,000 tonnes of sugar this year, up from 295,000 in 1987, partly because local production will fall short of projections, says a Sugar Importers' Association official.

Mr Chanaka Gunatillake, the association's secretary, said the 5,000-tonne increase was also due to expected higher industrial demand.

Total demand is estimated unofficially at 315,000 to 325,000 tonnes, an official of the state-owned Co-operative Wholesale Establishment said.

CWE brings in about 20 per cent of Sri Lanka's resulting from "the twin pressures of lower returns on many other crops coupled with a good start, but predicts a further rise in Soviet output, which will outweigh downward revisions in Gilt & Duffus forecasts for other main producing nations.

On the consumption side it differs from Czarnikow in reducing its world estimate by 100,000 tonnes, largely the result of cuts in projections for Brazil and India.

Nevertheless, Gilt & Duffus sees the prospect of a third consecutive surplus as moderately bullish. "It estimates of the deficit remain close to the figure we now estimate, prices may be seen to have fallen too far too quickly in recent weeks," it says.

The two London brokers' deficit forecasts are neatly divided by one issued earlier in the week by F.O. Licht, the West German sugar statistics agency.

That projected a fall in world stocks from 38.45m tonnes to 33.67m tonnes, representing a 1987-88 supply deficit of 1.91m tonnes.

Overall global coarse grain production was projected to drop 5 per cent this year. Demand was expected to increase 1 or 2 per cent and trade to grow 3 to 4 per cent.

The US Government's 1988 feed grain programmes, which require acreage set-asides by all participants, will continue to reduce the incentive this year.

Subsidies and loan rates will be lower. While the net gain to producers who participate is good, it appears less attractive than in past years.

Suffolk farm nearly clear from rhizomania

BY NANCY DUNNE IN WASHINGTON

THE US soybean lobby is flexing its political muscles in this election year and pressing Congress for a new export subsidy called "marketing loans" which could severely depress oilseed prices.

Marketing loan programmes, implemented for upland cotton and rice in the past two years, boosted foreign sales of those crops. They are effectively deficiency payments to farmers to bridge the difference between an established support price and the world market price.

The 1985 US Farm Bill, which instituted the marketing loans for rice and cotton, gave Mr Richard Lyng, the US Agriculture Secretary, the discretionary authority to implement the same scheme for wheat, feed grains and soybeans.

Mr Lyng has steadily resisted pleas to implement marketing loans for soybeans on the grounds that they would be too expensive and that they are not needed anyway.

Although soybean prices are strong for the moment, groups sense the potential for trouble ahead. The US Agriculture Department has predicted unprecedented world oilseed production in 1987-88 of 202m.

US output is expected to rise only 1 per cent above last year's levels, but foreign production is expected to reach a record 142m tonnes, up 5 per cent on the previous year.

US prices have been boosted by recent Soviet purchases of 22m tons of soybeans for feed and human consumption. But stiff competition from Brazil and Argentina could slow exports this spring and summer.

In Congress, where the farm lobby is particularly strong in an election year, several legislators have been vowing to push for further assistance for soybean exports.

Senator Jerry Bricker, a Republican from Ohio, has called for a signal to that market "that the US will stand by their soybean producers."

The USDA's opposition to an expanded marketing loan programme is set out in a recent report entitled, An Assessment of Marketing Loan Programme Options. The loans, the report

US calls for soyabean subsidies

BY NANCY DUNNE IN WASHINGTON

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did allow US rice and cotton to regain the share of world trade in these commodities held in the early 1980s. However, the cost was steep - an estimated \$365m (\$365m).

Marketing loans for wheat, feedgrains and soybeans would be "very costly", the report said. Had they been instituted for last year's crops, exports and domestic use would have risen only modestly, but the cost to the federal government would have totalled an additional \$920m to \$1,550m.

The cost of marketing loans depends on the world price. If soybean prices last year had fallen to \$4.25 a bushel, for example, the marketing loan scheme would have cost between \$440m and \$645m for soybeans alone.

The current price support programme for soybeans indirectly provides support for other oilseeds, like sunflowers and cottonseed. By removing the floor price, as the market's floor prices, the prices of other oilseeds will fall as well.

Meanwhile, the USDA has some hopeful news for soybean producers. It predicts a rise in foreign demand this year and a decline in US soybean ending stocks to 295m bushels in 1987-88. American exports for 1987-88 are forecast at 760m bushels, virtually unchanged from 1986-87.

There is one hurdle left to clear, however, before the technique can be used on a large scale in Argentina. That is the country's ponderous bureaucracy.

Dr Nasca began the painstaking procedure of applying to the Ministries of Agriculture and Public Health two years ago for permission to have the virus used freely by farmers throughout the country. "I expect I will still be filling out forms in two years time," he said ruefully. "There are also chemical companies which see this sort of work as a threat to their business," he added.

Argentina currently produces 7m tonnes of soybeans a year, exporting up to half as beans and another 700,000 tonnes as oil. The area of Argentina sown to soy has grown from less than 100,000 hectares in the mid-1970s to 3.7m hectares last season.

efforts to achieve self-sufficiency. Western agronomists note that floor prices for soy have remained unchanged for three years.

Until last year, Indonesia had to import all its processed soybean meal needs, largely to satisfy a growing demand from the livestock and poultry industries. The US accounts for about half of the shipments, as its product is considered better for soybean meal processing.

PHILIPPINES production has been hit by repeated typhoons, Czarnikow notes, and Thailand's output has suffered less than India's. India's output in its late monsoon and Pakistan's is thought to have recovered from earlier flood damage.

In another London broker's report, issued last night, Gilt & Duffus estimates the world deficit of the 1987/88 deficit, but to a much lower level.

It puts production at 103.9m tonnes and consumption at 104.8m, leaving a deficit of 900,000 tonnes and reducing the total stock level to about 35.3m tonnes, or a third of consumption.

However, "in many markets US feed grain exports are still facing sharp competition with barley, feed-quality wheat and non-grain feeds", it says.

US feed grain use for 1987-88 was estimated at 237.5m tonnes, 1.0m above last year. Exports were expected to rise by 5.3m tonnes to 51.6m.

The department said domestic feed demand would rise this year by 4.7m tonnes. Although dairy herd sizes were down, hog, poultry and cattle feeding - all heavy grain-using enterprises - were on the rise.

Food and industrial use of maize was expected to grow by 3 to 4 per cent. Maize use from September to November 1987 was 2.19m bushels, an increase of 185m bushels from the previous year. December 1 stocks stood at slightly under 9.8m bushels, 540m less than in 1986.

MOST OF the fields on the Suffolk farm affected by rhizomania have been found to be free from the sugar beet disease following the analysis of soil samples. Mr John MacGregor, the UK Minister of Agriculture, announced yesterday.

"Although the tests have shown up light infection on land next to where the disease was found last year I am glad to say most of the land is free from rhizomania," Mr MacGregor said.

The outbreak, at a farm near Bury St Edmunds, Suffolk, was discovered last August. It was the first British case of the disease, which can halve sugar beet yields.

The land where some infection was found will be quarantined and the prohibition on growing sugar beet and other root crops on the rest of the farm will remain, the Minister said.

Infected land will be fumigated and then monitored at the Ministry of Agriculture's expense as part of its research and development programme.

Zinc output lost

Vieille Montagne says it lost 2,000 tonnes in zinc production this month due to a technical failure at its Balen plant in Belgium, reports Reuter from Brussels. A company official says the fault has been repaired and production is running normally again.

Nickel smelter

The Harjavalta nickel smelter of Finland's Outokumpu will be back on stream in a few days after a breakdown at a furnace stopped production from February 4, a senior official said. "The situation is quite clear, repairs will be completed this weekend. Full production may start again on Saturday or Sunday."

Tanzanian tea

Tanzanian tea exports are expected to rise by 21 per cent to 17,000 tonnes in the 1987-88 crop year from 14,000 tonnes in 1986/87, in spite of the current drought, a Tanzania Tea Authority official said.

One reason for the projected rise in exports was an expected increase in output from several tea estates which were taken over by the British Lorrho group two years ago, he said.

Metal consumption

UK consumption of copper in all forms fell to 35,741 tonnes in December from 41,568 tonnes the previous month. World Bureau of Metal Statistics (WBMS) figures show zinc consumption fell to 18,761 tonnes from 20,263 tonnes and lead consumption to 24,952 tonnes from 29,691 tonnes.

Argentine breakthrough in pest control

BY TIM COONE IN BUENOS AIRES

WITHIN A few years, the bulk of Argentina's soybeans could be achieving greater productivity at lower cost and hence become more competitive internationally, thanks to an applied research programme for northern Argentina which uses caterpillar viruses.

The body carrying out the research, with the ominous-sounding name of the Research Centre for the Regulation of Insecticidal Organisms, is based at Tucuman. It has been carrying out crop protection field trials on 3,000 hectares of soybeans over the past four years and has achieved startling results.

Using a caterpillar virus known to the locals as "PV Anticarsa", Dr Antonio Nasca, head of the centre, said the principal Argentine soy pest, the soy caterpillar, could now be effectively controlled at minimal cost by spraying the virus on it. It is bred initially in the

Indonesia plans to double imports as demand rises

BY JOHN MURRAY BROWN IN JAKARTA

INDONESIA IS to double soybean imports in 1988 to 700,000 tonnes, in spite of plans to increase domestic production to meet rising local demand.

Buloq, the state food logistics agency which is the sole importer of soybeans, may have 400,000 tonnes for production of bean curd, a local food. The rest was targeted for use in processing soybean meal as animal feed.

Officials say imports of meal are to be gradually phased out as a new crushing plant with an annual capacity of 240,000 tonnes is brought on stream. Consumer demand for soybeans, however, continues to rise faster than production, and the government may have to increase further. In addition, farmers face problems of pests and drought could also force a switch back out of soy production.

laboratory, but can later be reproduced simply by farmers without the need to depend on suppliers or agro-chemical companies.

"That's all you need for a hectare," he said, holding up a small flask containing less than a teaspoonful of flaky white crystals.

The virus attacks the skin of the caterpillar, causing it to suppurate and degenerate, leading quickly to a rather slimy end for the unfortunate larva. Dr Nasca said the virus was highly specific to this particular caterpillar, so it did not upset the local ecology by killing beneficial insects, as agricultural chemicals frequently did. Extensive tests in the US and Brazil had already shown the virus to be harmless to man and other animals, he added.

Brazilian farmers are apparently already spraying the virus on up to 10 per cent of the country's soy crop.

Present chemical controls of the soy caterpillar require as many as six or seven spray applications during the growing season. The virus requires only one application a year and field tests at the research centre had shown that it could persist from one season to the next in the same field, affording some measure of protection the following year.

Subsequent crops can be just as easily protected though by the simple procedure of the farmer collecting 50 dead caterpillars, saving them until the following season, grinding them to a powder and then making up a new solution to spray on the field again. That would be sufficient for one hectare.

Cost reductions are equivalent to some \$25 per tonne, according to Dr Nasca, or between 10 and 15 per cent of the current soybean price.

efforts to achieve self-sufficiency. Western agronomists note that floor prices for soy have remained unchanged for three years.

Until last year, Indonesia had to import all its processed soybean meal needs, largely to satisfy a growing demand from the livestock and poultry industries. The US accounts for about half of the shipments, as its product is considered better for soybean meal processing.

LONDON MARKETS

THE LONDON Metal Exchange copper market yesterday continued in retreat. After a 6-day rise peaked on Tuesday the cash grade A position lost £23.50 on Wednesday and yesterday's £31 fall took the price down to £1,389 a tonne.

Analysts said the failure of the three months position to close above a £1,300 a tonne resistance level (it ended £21.25 down at £1,275) seemed to indicate a downturn in chart projections. Lead and zinc prices were also down, though more modestly but aluminium bounced back following Wednesday's setback.

To close \$60 up at a new 16-year high of \$2,245 a tonne. Nickel ended its sustained rise with the cash position slipping back \$10 to \$8,770 a tonne. Dealers said trading was patchy. On the Baltic International Freight Futures market values ended sharply lower on profit-taking after the recent advance to record highs.

CRUDE OIL (Light) 42,000 US gals/barril

Table with columns: Close, Previous, High/Low. Rows for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COCOA Beans table with columns: Close, Previous, High/Low. Rows for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

COFFEE Beans table with columns: Close, Previous, High/Low. Rows for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SUGAR \$ per tonne table with columns: Close, Previous, High/Low. Rows for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

GRAINS \$/tonne table with columns: Close, Previous, High/Low. Rows for Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

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LONDON METAL EXCHANGE table with columns: Close, Previous, High/Low, AM Official, Barb close, Open Interest. Rows for Aluminium, Cash, 3 months, 6 months, 9 months, 12 months.

LONDON METAL EXCHANGE table with columns: Close, Previous, High/Low, AM Official, Barb close, Open Interest. Rows for Copper, Standard, 3 months, 6 months, 9 months, 12 months.

LONDON METAL EXCHANGE table with columns: Close, Previous, High/Low, AM Official, Barb close, Open Interest. Rows for Lead, 3 months, 6 months, 9 months, 12 months.

LONDON METAL EXCHANGE table with columns: Close, Previous, High/Low, AM Official, Barb close, Open Interest. Rows for Nickel, 3 months, 6 months, 9 months, 12 months.

LONDON METAL EXCHANGE table with columns: Close, Previous, High/Low, AM Official, Barb close, Open Interest. Rows for Zinc, 3 months, 6 months, 9 months, 12 months.

LONDON METAL EXCHANGE table with columns: Close, Previous, High/Low, AM Official, Barb close, Open Interest. Rows for Tin, 3 months, 6 months, 9 months, 12 months.

US MARKETS table with columns: Close, Previous, High/Low. Rows for Copper, Gold, Platinum, Silver.

US MARKETS table with columns: Close, Previous, High/Low. Rows for Soybeans, Wheat, Corn, Oats.

US MARKETS table with columns: Close, Previous, High/Low. Rows for Soybean Meal, Soybean Oil, Cottonseed Oil.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound hold firm

THE DOLLAR finished in Europe on a slightly firmer note, after hovering for most of the day around DM1.70 and Y130. It touched a low of Y129.55 following a report that Japanese officials are resigned to a further drop in the dollar's value to correct trade imbalances.

In quiet trading the dollar rose to DM1.7085 from DM1.7065; to SF1.4055 from SF1.4020; and to FF5.7775 from FF5.7625, but fell to Y130.10 from Y130.30.

On the Bank of England figures the dollar's index fell to 95.3 from 95.4.

STERLING - Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. January average 1.8001. Exchange rate index was unchanged at 74.3, compared with 72.6 six months ago.

Sterling eased against a generally firmer dollar, but was otherwise little changed, after a day of important news on the UK economy.

Attention centred on January UK bank lending figures and average earnings for the same month. A rise of 55.0bn in lending was towards the top of market forecasts, but further analysis suggested this record figure was not as alarming as it first appeared.

Mr Neil MacKinnon, economist at Nomura Research Institute, noted that the figure was largely the result of companies

borrowing to pay corporation tax and because of round tripping in the bill market. He added that there was a slow down in lending to the personal sector. This was encouraging, while borrowing by companies could be regarded as a one off factor.

Mr MacKinnon suggested that after stripping out factors that could be regarded as exceptional the underlying rise in lending was probably around the six-month average of 53.8bn.

Mr Peter Spencer, UK economist at Credit Suisse First Boston, agreed there was up to 52bn of exceptional items in the bank lending figure, and this was not a bad result, given the recently announced large repayment in the F&E.

Mr Kevin Booker, chief UK economist at Greenwell Montagu Research, said yesterday's economic figures were a mixed bunch, but that the rise to 8% p.p. from 7.5% in average earnings was worrying factor, taken against the expected Ford pay settlement. On the other hand he sees little immediate fear about inflation, and with sterling holding firm on the figures does not expect a rise in interest rates ahead of next

month's Budget.

The pound fell 45 points to 1.7445-1.7455, and to Y227 from Y228, but was unchanged at DM1.9825; SF2.4525; and FF10.0825.

D-MARK - Trading range against the dollar in 1987/88 is 1.9900 to 1.6740. January average 1.8547. Exchange rate index 148.9 against 146.1 six months ago.

The D-Mark showed little movement against the dollar. The US currency closed at DM1.7040, compared with DM1.7060 on Wednesday. The Bundesbank did not intervene when the dollar was fixed at DM1.7040 in Frankfurt, against DM1.7114 previously.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 169.45 to 121.35. January average 127.77. Exchange rate index 238.9 against 219.1 six months ago.

There was a sudden bout of dollar selling in after hours Tokyo trading, pushing the yen currency to a low of Y129.75. But in early European trading the dollar recovered to Y130.05, compared with the Tokyo close of Y130.00, and Y130.40 in Tokyo on Wednesday.

FINANCIAL FUTURES

Gilt prices surge ahead

REACTION TO yesterday's batch of UK data proved to be something of an anti-climax in the Life market. Gilt futures dipped a little after record rise in bank lending, and a worrying increase in average earnings, but recovered to finish much stronger on the day and against Wednesday's close.

A 55.5bn increase in bank lending in January was at the upper end of expectations and this caused gilts to dip briefly. However analysts were quick to strip out two key exceptional factors and this left the

monthly increase in lending little different from the previous month to month average.

Round tripping on bill operations and corporate borrowing to meet tax payments were cited as two factors inflating the figure. For this reason gilt prices soon recovered. However many analysts showed concern about the underlying rise in average earnings. The latter rose to an annualised rate of 8.0 p.c.

Unit wage costs were also an unsettling influence, rising by 2.7 p.c. in December after 1.6

p.c. in November. Despite this, gilts ended the day on a strong note. Sterling remained steady, and together with signs that there may be a sharp reduction in PSBR targets after next month's budget, gilt prices moved higher.

The March price opened at 119.04, down from 119.11 on Wednesday and touched a low of 118.25 before finishing at 119.27.

The bottom line after yesterday's figures suggested that the UK economy was still expanding at a healthy rate.

Table with columns: Price, Call, Put, etc. for various futures contracts.

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\$ WORLD VALUE OF THE DOLLAR BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON. The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, February 17, 1988.

E IN NEW YORK

Table with columns: Feb. 18, Latest, Previous Close. Includes data for S&P, Dow Jones, etc.

STERLING INDEX

Table with columns: Feb. 18, Previous. Includes data for 5.00, 10.00, 15.00, etc.

CURRENCY RATES

Table with columns: Feb. 18, Special Drawing Rights, European Currency Unit. Includes data for Sterling, U.S. Dollar, etc.

ALL CDR rates for February 17

CURRENCY MOVEMENTS

Table with columns: Feb. 18, Bank of England, Morgan's. Includes data for Sterling, U.S. Dollar, etc.

OTHER CURRENCIES

Table with columns: Feb. 18, £, SFR, ¥. Includes data for Argentina, Australia, Brazil, etc.

MONEY MARKETS

UK rates higher

INTEREST RATES edged up a fraction in London yesterday, after a rise in UK bank lending and average earnings. The increase in lending was taken on board without too much fuss because it appeared to contain several one off factors.

Despite all this, there appeared to be little incentive to make any longer term investment decisions ahead of next month's UK Budget.

UK clearing bank base lending rate 8 1/4% p.c. from February 23/November 5

Three-month interbank was quoted at 9 1/4-9 1/2 p.c. compared with 9 1/4-9 1/2 p.c. while the six-month rate rose to 9 1/2-9 3/4 p.c. Overnight money opened at 9 1/4 p.c. and touched 9 1/2 p.c. before easing to 9 1/4 p.c.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Euro central rates, Currency unit, % change from Feb. 18, % change adjusted for divergence, Divergence last %.

Changes are for Euro, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Feb. 18, Day's spread, Close, One month, % p.a., Three months, % p.a., Six months, % p.a.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Feb. 18, Day's spread, Close, One month, % p.a., Three months, % p.a., Six months, % p.a., One year, % p.a.

EURO-CURRENCY INTEREST RATES

Table with columns: Feb. 18, Short term, 7 days notice, One month, Three months, Six months, One year.

EXCHANGE CROSS RATES

Table with columns: Feb. 18, £, SFR, ¥, DM, FF, etc. Includes data for DM, SF, FF, etc.

See page 1,002 for Feb. 18; for 12m see page 1,000; for 3m, see page 1,001.

FT LONDON INTERBANK FIXING

Table with columns: 01.00 a.m. Feb. 18, 3 months US dollars, 6 months US Dollars.

The day rates are the arithmetic means rounded to the nearest one-hundredth of the bid and offered rates for the day. For the market in the afternoon, see page 1,002.

MONEY RATES

Table with columns: Feb. 18, Overnight, One Month, Two Months, Three Months, Six Months, Lending Intervention.

LONDON MONEY RATES

Table with columns: Feb. 18, Overnight, 7 days notice, One Month, Three Months, Six Months, One Year.

CURRENCY FUTURES

Table with columns: Feb. 18, 1-month, 3-month, 6-month, 12-month.

STERLING

Table with columns: Feb. 18, 1-month, 3-month, 6-month, 12-month.

LIFFE-STERLING

Table with columns: Feb. 18, 1-month, 3-month, 6-month, 12-month.

NEW YORK

Table with columns: Feb. 18, 1-month, 3-month, 6-month, 12-month.

LONDON MONEY RATES

Table with columns: Feb. 18, Overnight, 7 days notice, One Month, Three Months, Six Months, One Year.

NEW YORK

Table with columns: Feb. 18, 1-month, 3-month, 6-month, 12-month.

LONDON MONEY RATES

Table with columns: Feb. 18, Overnight, 7 days notice, One Month, Three Months, Six Months, One Year.

COUNTRY CURRENCY VALUE OF DOLLAR

Table with columns: COUNTRY, CURRENCY, VALUE OF DOLLAR. Includes data for Afghanistan, Albania, Algeria, etc.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Vol, Bid, Ask, Last, etc. for various options series.

Table with columns: Series, Vol, Bid, Ask, Last, etc. for various options series.

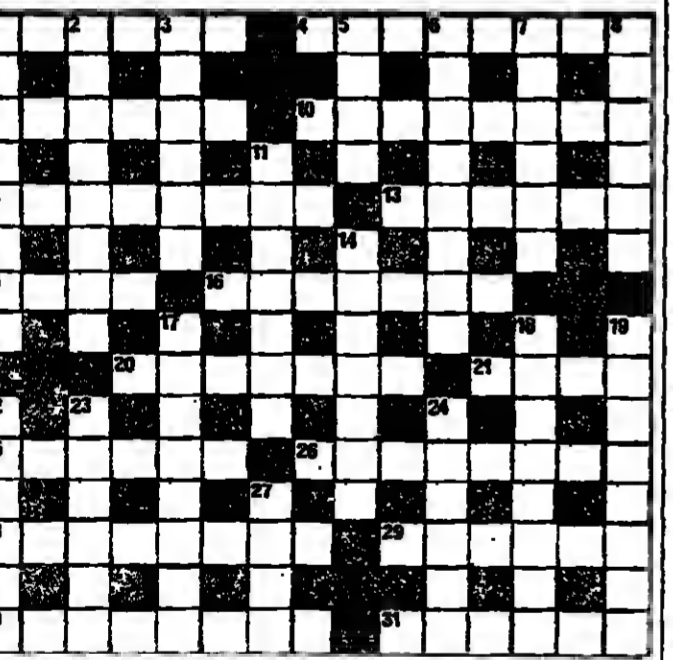
BASE LENDING RATES

Table listing base lending rates for various banks and currencies, including ADK Bank, Citibank, etc.

CLASSIFIED ADVERTISEMENT RATES

Table showing rates for different types of classified advertisements, such as Commercial and Industrial Property, Residential Property, etc.

FT CROSSWORD No.6,560



- ACROSS
1 A cough mixture up in Argentina (6)
4 Guard despatched by wrong line (3)
9 Vital urge of party with false language (6)
10 Delirious fellow with enteric fever (8)
12 Everyday heraldic figure (8)
13 Bodies of men reported for voyage (6)
16 Singles champions (4)
17 Leap joyfully - Gaul overthrown with some speed (7)
20 Appare by using alternative technology in station (7)
21 First bobby in the Isle of Man (4)
25 An authority on the ship (6)
26 Underground records show part of Circle Line and other busy places (8)
28 Polignat resort in Devon (8)
29 Well-spread rat in this tough old place (6)
30 Decade unshined in restrictions (8)
31 Infective one of seven? (6)
DOWN
1 Camp permit needed inside part of SW Scotland (8)
2 Hiving tons no orders, nun bladed fully (8)
3 Thrashing in place of concealment (3) records show part of Circle Line and other busy places (8)
5 Some hearsay for listeners (4)

FT UNIT TRUST INFORMATION SERVICE

Large table listing various unit trusts, their managers, and performance data. Includes sections for 'Authorised Unit Trusts' and 'Unit Trust Managers'.

FT UNIT TRUST INFORMATION SERVICE

Large table listing various unit trusts, their managers, and performance data. Includes sections for 'Unit Trust Managers' and 'Unit Trusts'.

FT UNIT TRUST INFORMATION SERVICE

Unit trusts

Main table containing unit trust information, including columns for fund names, managers, and performance metrics. Includes sub-sections like 'INSURANCES' and 'M & E Group'.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Handwritten note: 401110110

Table of FT Unit Trust Information Service, listing various unit trusts such as The British Property Fund, The British Investment Fund, etc., with columns for Name, Investment Objective, and Unit Price.

Table of FT Unit Trust Information Service, listing various unit trusts such as British Overseas Investment Fund, British Overseas Property Fund, etc., with columns for Name, Investment Objective, and Unit Price.

Table of FT Unit Trust Information Service, listing various unit trusts such as British Overseas Investment Fund, British Overseas Property Fund, etc., with columns for Name, Investment Objective, and Unit Price.

BRITISH FUNDS

Table of British Funds, listing various funds like 'Shorts' (Lives up to Five Years), 'Five to Fifteen Years', etc., with columns for Name, Price, and Yield.

BRITISH FUNDS - Contd

Table of British Funds - Continued, listing various funds like 'Index-Linked', 'INT. BANK AND OSEAS GOVT STERLING ISSUES', etc., with columns for Name, Price, and Yield.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails, listing various international bonds and rail investments with columns for Name, Price, and Yield.

AMERICANS

Table of American Funds, listing various US-based investment funds with columns for Name, Price, and Yield.

CORPORATION LOANS

Table of Corporation Loans, listing various corporate loan investments with columns for Name, Price, and Yield.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans, listing various international loan investments with columns for Name, Price, and Yield.

LOANS

Table of Loans, listing various general loan investments with columns for Name, Price, and Yield.

Public Board and Financial

Table of Public Board and Financial, listing various public board and financial investments with columns for Name, Price, and Yield.

Continued on next page

Table of Money Market Trust Funds, listing various money market funds with columns for Name, Price, and Yield.

Table of Money Market Bank Accounts, listing various bank account services with columns for Name, Price, and Yield.

UNIT TRUST NOTES: Information regarding unit trust regulations and investor responsibilities.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for stock name, price, and change. Includes companies like IBM, General Electric, and Ford.

CANADIANS

Table listing Canadian stocks with columns for stock name, price, and change. Includes companies like Alcan, Inco, and Northern Telecom.

BANKS, HP & LEASING

Table listing bank and leasing stocks with columns for stock name, price, and change. Includes companies like Citicorp and Citicorp International.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks with columns for stock name, price, and change. Includes companies like Heineken and Carlsberg.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for stock name, price, and change. Includes companies like Bovis Lend Lease and Bovis Lend Lease Construction.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns for stock name, price, and change. Includes companies like ICI and Shell Chemicals.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for stock name, price, and change. Includes companies like Bovis Lend Lease and Bovis Lend Lease Construction.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for stock name, price, and change. Includes companies like Bovis Lend Lease and Bovis Lend Lease Construction.

DRAPERY AND STORES - Contd

Table listing drapery and store stocks with columns for stock name, price, and change. Includes companies like Debenhams and Debenhams Group.

ELECTRICALS

Table listing electrical stocks with columns for stock name, price, and change. Includes companies like British Telecom and British Telecom Group.

DRAPERY AND STORES

Table listing drapery and store stocks with columns for stock name, price, and change. Includes companies like Debenhams and Debenhams Group.

DRAPERY AND STORES

Table listing drapery and store stocks with columns for stock name, price, and change. Includes companies like Debenhams and Debenhams Group.

ENGINEERING - Contd

Table listing engineering stocks with columns for stock name, price, and change. Includes companies like BAE Systems and BAE Systems Group.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other stocks with columns for stock name, price, and change. Includes companies like Unilever and Unilever Group.

HOTELS AND CATERERS

Table listing hotel and catering stocks with columns for stock name, price, and change. Includes companies like Whitbread and Whitbread Group.

HOTELS AND CATERERS

Table listing hotel and catering stocks with columns for stock name, price, and change. Includes companies like Whitbread and Whitbread Group.

INDUSTRIALS (Misc.) - Contd

Table listing industrial stocks with columns for stock name, price, and change. Includes companies like British Petroleum and British Petroleum Group.

INDUSTRIALS (Misc.) - Contd

Table listing industrial stocks with columns for stock name, price, and change. Includes companies like British Petroleum and British Petroleum Group.

INDUSTRIALS (Misc.) - Contd

Table listing industrial stocks with columns for stock name, price, and change. Includes companies like British Petroleum and British Petroleum Group.

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INDUSTRIALS (Misc.) - Contd

Table listing industrial stocks with columns for stock name, price, and change. Includes companies like British Petroleum and British Petroleum Group.

INSURANCES

Table listing insurance stocks with columns for stock name, price, and change. Includes companies like Prudential and Prudential Group.

MOTOR

NEWSPAP

PAPER ADVE

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LONDON SHARE SERVICE

Handwritten note: 10/11/88

INSURANCES - Contd

Table listing insurance companies and their share prices, including Royal Indemnity, Commercial Union Assurance, and others.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies and their share prices, including Newsprint, Printers, and Advertising agencies.

TEXTILES - Contd

Table listing textile companies and their share prices, including various spinning and weaving firms.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies and their share prices, including investment trusts and financial institutions.

OIL AND GAS - Contd

Table listing oil and gas companies and their share prices, including exploration and production firms.

MINES - Contd

Table listing mining companies and their share prices, including various metal and coal mines.

LEISURE

Table listing leisure companies and their share prices, including hotels, resorts, and entertainment firms.

PROPERTY

Table listing property companies and their share prices, including real estate and development firms.

TOBACCO

Table listing tobacco companies and their share prices, including major tobacco manufacturers.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies and their share prices.

OVERSEAS TRADERS

Table listing overseas trading companies and their share prices.

PLANTATIONS

Table listing plantation companies and their share prices.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies and their share prices.

COMMERCIAL VEHICLES

Table listing commercial vehicle companies and their share prices.

FINANCE, LAND, ETC

Table listing finance, land, and other companies and their share prices.

MINES

Table listing mining companies and their share prices.

THIRD MARKET

Table listing third market trading data and prices.

NOTES

Notes providing additional information and commentary on the market data.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies and their share prices.

SHIPPING

Table listing shipping companies and their share prices.

SHOES AND LEATHER

Table listing shoes and leather companies and their share prices.

SOUTH AFRICANS

Table listing South African companies and their share prices.

TEXTILES

Table listing textile companies and their share prices.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks and their share prices.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies and their share prices.

TRADITIONAL OPTIONS

Table listing traditional options and their prices.

INDUSTRIALS

Table listing industrial companies and their share prices.

PROPERTY

Table listing property companies and their share prices.

FINANCE

Table listing finance companies and their share prices.

DIAMOND AND PEARL

Table listing diamond and pearl companies and their share prices.

LONDON STOCK EXCHANGE

Good close to session in Gilt-edged but equities fall back on increased selling

Table with columns: Account, Opening, High, Low, Close, Change. Rows for various dates from Feb 18 to Feb 23.

A GLOOMY TRADING session in the London securities markets was brightened towards the end of the day by the appearance of European buyers for British Government bonds. Earlier, bonds and equities had turned easier in the wake of the domestic money supply and bank lending totals for January, which measured up to the City's worst expectations.

Index-linked issues edged up by 1/4 point but were lightly traded. The Ford strike has perhaps been taken more seriously abroad than inside the UK, commented Mr John Sheppard of Warburg Securities. There was also some optimism on the home front, however. The relatively calm acceptance of the January bank lending figures leaves only one major hurdle - the UK Trade Figures on Feb 23 - before Budget Day on March 16. With the analysts now discouraging the more fanciful forecasts of Budget tax cuts, the bond market appears to have recovered its poise.

Midland Bank dropped 10 to 336p with turnover expanding to 3.2m shares as the bank unveiled a record preliminary loss of \$605m, after allowing for third world debt provisions, which exceeded \$1 bn over the year. Selling pressure was by no means heavy but dealers reported persistent small offerings of Midland "if you are looking for quality you buy NatWest or Barclays, there is no reason to buy Midland" said one.

British Petroleum's fourth quarter results were, according to dealers, "bang in line" and gave the market "nothing to go for". The "old" settled 2 off at 255p after a turnover that approached 3m shares but there was much more action in the "new" partly-paid which closed a penny firmer at 75p after reports of another Toray into the market by the Kuwait Investment Office. Turnover in the "new" topped 34m with the KIO thought to have acquired "at least 10m" according to traders. There was also substantial special dividend selling of the "new" which will be quoted ex the payment on Monday.

Plessey was again easily the most active issue in the electronics sector and moved up to 163p prior to closing a net 5/8 higher at 152 1/2p after a turnover which topped 14m shares. The strong showing came in the wake of third quarter profits of \$37m, estimates of which ranged as low as \$32m, and the chairman's forecast of record profits in the fourth quarter.

Mr Patrick Hickey of Chase Manhattan Securities, big buyer of the stock in recent days, said "the bear case for Plessey has now collapsed" and forecast full-year profits of \$165m for Plessey. A class 1 circular on the proposed merger of Plessey's telecoms business with that of GEC is expected in a week or so, the Chase analyst said. GKN edged up a shade to

FINANCIAL TIMES STOCK INDICES table with columns: Index Name, Feb 18, Feb 17, Feb 16, Feb 15, Feb 14, Year Ago, 1987/88 High/Low, Since Completion High/Low. Includes Government Securities, Financial Interest, Ordinary, Gold Mining, Div. Div. Yield, Earnings Yld. % (Net), P/E Ratio (Net/1), SEAD Turnover (Cost), Equity Turnover (Cost), Equity Turnover (Net), Shares Traded (Mn).

Day's High 1399.6 Day's Low 1369.2. LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

hastan Securities said to have been big buyers of the stock after issuing a "buy" recommendation; the shares were finally 1 1/4p higher at 132 1/2p. A considerable two-way pull developed in Shell - £22m in their Quarterly UK Oil and Gas Review rate the stock a "buy". But Morgan Grenfell recommended clients to sell Shell as well as BP saying they expect the decline they expect to develop in oil prices in the spring. Buyers eventually gained the upper hand in Shell which settled a shade higher at £10 1/4. NatWest, due to reveal preliminary figures on Tuesday, Chartered remained a weak market and lost 8 more to 500p after Morgan Grenfell issued a "sell" circular on the bank saying "further capital injections are necessary, through more sales or a rights issue, or both". Country NatWest say Standard Chartered had aggressively sold "insurance" cases under general selling pressure with the commodities especially vulnerable. Commercial Union, scheduled to report full-year figures on March 2, dipped 8 to 306p and Royal Bank figures due next Thursday, lost a like amount to 387p. Expectations that the Chancellor would impose duty increases after two years

were bound to make profits, this one in particular was not significant in the context of the AMEC group.

Henderson Group, the sliding door gear manufacturer, reported 13p to 354p following a bid of 346p per share cash from major building materials group Hepworth Ceramic, which valued Henderson at some £77.5m. Hepworth's bid tops the agreed offer from the much smaller Newman Tonks and follows the decision by major Henderson shareholder Evered to sell its 23.5 per cent holding to Hepworth.

Warranty Group moved up 23 to 320p ahead of results due soon, while Westbury picked up 7 to 234p. Burton Group fell to 224p before rallying to close 6 off at 226p after adverse Press comment. Dixons rose 3 to 180p, after 182p, but there were rumours in the market that an imminent price downgrading by one leading securities house, Hogg Robinson Travel fell sharply and closed 14 off at 255p with dealers taking the view that British Airways is unlikely to launch a full bid for the company in the foreseeable future after recently upping its stake to 9.7 per cent.

Cable & Wireless edged up 2 more to 346p on turnover of 2.2m as County NatWest joined Warburg Securities in recommending the stock in front of the forthcoming analyst trip to the Far East. But County are more cautious on British Telecom ahead of the third quarter figures expected Thursday - a rise of 10.7 per cent. Telecom closed at 240p on a turnover of 5m. Ferraroli were out of favour and dipped 2 1/2 to 76 1/2p with turnover expanding rapidly to 7m, including a single deal of 2m.

Deals in Cambridge Instruments were suspended at 44p at the company's request pending an announcement of Wholesale Frittings jumped 37 to 457p after Thomson T-Line revealed it had taken a 4.7 per cent stake in the group. Manganese Bronze continued to attract demand following

comment on the interim figures and put 5 further to 230p. The reported award of a US contract, and closed 6 up at 471p while Adcock gained 3 more to 106p, mirroring comment on the acquisition of the Lincolnshire Standard Group. Having enjoyed a strong run recently on the back of various brokers' bullish circulars, lead-traded (some 3.8m shares changed hands) before closing a couple of pence lower at 122p. Other dull spots included TI Group, down 8 to 304p.

Boots, down a couple of pence at 227p, were actively traded again (some 4.7m shares passed through the Sess system) as yet another leading investment house took a bullish stance on prospects for the company. Wellcome, a current favourite with Warburg Securities, the investment house, attracted occasional support and closed 4 firmer at 408p, after touching 411p at one stage. A further anti-Aids campaign also helped to enliven interest. Canaan Street Investments, reflecting a revival expansion hopes, were noteworthy for a rise of 9 at 262p. AAE, down 5 more at 277p, continued to ease amid competition from Unilever, the wholesale chemist. Other dull spots included, Pearson, 15 lower at 684p, and Morris which reacted 12 to 388p. J. Wilkes gained 4 to 170p in response to the underlying firm's sortium headed by Mr Stephen Hincliffe has increased its stake to 27.3 per cent. Evered, reflecting the sale of its 23.5 per cent stake to Henderson, Hepworth Ceramic, firmed 3 to 117p.

Motor distributor Appleyard reacted to the strong possibility of the Ford dispute being resolved, gaining 20 to 370p, but there was little action elsewhere in the Motor sector. Along with other interaction, Jaguar rose 10 to 250p while Rover, despite receiving the biggest single order ever, worth \$110m from car rental group Avis Europe, eased to 67p.

Good news from yesterday's annual meeting aroused buying of VPI, the advertising agency, and the shares rose 7 to 312p. The chairman informed shareholders that the year has started extremely well and that the group was already ahead of this year's profit targets. Since the financial year began, VPI companies have been appointed to handle either projects or long-term assignments by over 100 new clients. WPP moved

further ahead, still reflecting the reported award of a US contract, and closed 6 up at 471p while Adcock gained 3 more to 106p, mirroring comment on the acquisition of the Lincolnshire Standard Group. Having enjoyed a strong run recently on the back of various brokers' bullish circulars, lead-traded (some 3.8m shares changed hands) before closing a couple of pence lower at 122p. Other dull spots included TI Group, down 8 to 304p.

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Quieter conditions prevailed in the Traditional option market yesterday. Stocks to attract money for the call included Polly Peck, North Kaiguiril, Charles Baynes, Pentland Industries, Control Securities, Eagle Trust, Rutland and Blacks Leisure. No put options were reported but a double was taken out in Grootvlei.

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FT - ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Thursday February 18 1988, Wed Feb 17, Thu Feb 18, Fri Feb 19, Sat Feb 20, Sun Feb 21. Rows include Building Goods, Capital Goods, Electricals, Electronics, Metals and Metal Forming, Motors, Other Industrial Materials, Consumer Goods, Food Manufacturing, Health and Household Products, Leisure, Packaging & Paper, Publishing & Printing, Stores, Other Services, All-Share Index.

FIXED INTEREST

Table with columns: PRICE INDICES, The Feb 18, Day's Change, Wed Feb 17, Thu Feb 18, Fri Feb 19, Sat Feb 20, Sun Feb 21. Rows include British Government, 1-5 years, 5-15 years, 15-25 years, Irredeemables, All stocks, Index-Linked, 5 years, 7 over 5 years, All stocks, 9 Dividends & Loans, 10 Preference.

LONDON TRADED OPTIONS

Table with columns: Option Name, Calls, Puts, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Rows include Allied Lines, Brit. Airways, Brit. & Comm., B.P., Cable & Wireless, Cam. & W., C.I.T., C.I.T. (S), C.I.T. (L), C.I.T. (M), C.I.T. (N), C.I.T. (O), C.I.T. (P), C.I.T. (Q), C.I.T. (R), C.I.T. (S), C.I.T. (T), C.I.T. (U), C.I.T. (V), C.I.T. (W), C.I.T. (X), C.I.T. (Y), C.I.T. (Z).

NEW HIGHS AND LOWS FOR 1987/88

Table with columns: Stock Name, High, Low. Rows include British Airways, British Petroleum, British Telecom, British Waterways, British Airways, British Petroleum, British Telecom, British Waterways.

TRADING VOLUME IN MAJOR STOCKS

Table with columns: Stock Name, Volume, Value. Rows include British Airways, British Petroleum, British Telecom, British Waterways, British Airways, British Petroleum, British Telecom, British Waterways.

RISES AND FALLS YESTERDAY

Table with columns: Category, Rise, Fall, Same. Rows include British Financials, British Government, British Properties, British Shares, British Bonds, British Dividends, British Warrants, British Options, British Futures, British Derivatives.

LONDON RECENT ISSUES

Table with columns: Issue Name, Price, Yield, Dividend, Date. Rows include British Airways, British Petroleum, British Telecom, British Waterways, British Airways, British Petroleum, British Telecom, British Waterways.

FIXED INTEREST STOCKS

Table with columns: Issue Name, Price, Yield, Dividend, Date. Rows include British Airways, British Petroleum, British Telecom, British Waterways, British Airways, British Petroleum, British Telecom, British Waterways.

RIGHTS OFFERS

Table with columns: Issue Name, Price, Yield, Dividend, Date. Rows include British Airways, British Petroleum, British Telecom, British Waterways, British Airways, British Petroleum, British Telecom, British Waterways.

WORLD STOCK MARKETS

Handwritten note: "If it is 10"

CANADA

Table of Canadian stock market data including Toronto closing prices for February 18, listing various stocks and their prices.

MONTREAL

Table of Montreal stock market data for February 18, listing local stocks and their prices.

OVER-THE-COUNTER

Table of over-the-counter market data, including Nasdaq national market closing prices for various stocks.

Advertisement for F.T. Hand delivered, featuring contact information for Frankfurt (069) 7598-101.

Advertisement for HELSINKI & ESPOO, featuring contact information for Helsinki (90) 694 0417.

Table of international stock market data for February 18, covering Australia, Germany, France, Italy, Japan, and the Netherlands.

Table of international stock market data for February 18, covering South Africa, Sweden, Switzerland, and the United Kingdom.

Table of stock market indices, including New York Dow Jones, Canada, and New York Active Stocks.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections for 'D D D', 'G G G', 'H H H', 'I I I', 'J J J', 'K K K', 'L L L', 'M M M', 'N N N', 'O O O', 'P P P', 'Q Q Q', 'R R R', 'S S S', 'T T T', 'U U U', 'V V V', 'W W W', 'X X X', 'Y Y Y', 'Z Z Z'.

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, Div, Yld, P/E, High, Low, Last, and Change. Includes sub-sections like 'Continued from Page 38' and 'T T T'.

AMEX COMPOSITE CLOSING PRICES

Table of AMEX Composite Closing Prices. Columns include Stock, Div, Yld, P/E, High, Low, Last, and Change. Includes sub-sections like 'Continued from Page 38' and 'T T T'.

OVER-THE-COUNTER Nasdaq national market, closing prices

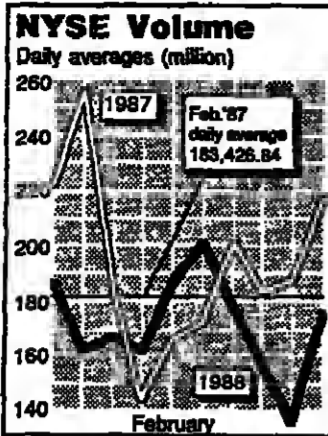
Table of Over-the-Counter (Nasdaq) Closing Prices. Columns include Stock, Div, Yld, P/E, High, Low, Last, and Change. Includes sub-sections like 'T T T' and 'U U U'.

Advertisement for Athens (01) 7237167. Text: 'Have your F.T. hand delivered... at no extra charge, if you work in the business centre of ATHENS'. Includes contact information for Helene Distribution Agency.

AMERICA

Reagan's budget has little effect as Dow drops

THE UNVEILING of President Reagan's fiscal 1989 budget had almost no effect on both bond and equity markets...



Volume remained unimpressive with just over 151m shares changing hands. In the Treasury bond market, movements fluctuated modestly...

More interesting in the bond market, were figures for industry's capacity utilisation. Figures released yesterday showed usage was unchanged...

Canada

SHARE prices slid lower in quiet trading as nervousness about the direction of the economy kept investors on the sidelines...

SOUTH AFRICA

A FIRMER bullion price brought on strong demand for Johannesburg gold shares from both local investors and abroad...

In mining financials, Anglo American was R1.36 higher at R48.25 while Gencor gained 50 cents to R44.

FT - ACTUARIES WORLD INDICES

Table with columns for National and Regional Markets, Thursday February 18 1988, Wednesday February 17 1988, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, and Europe.

EUROPE

Interest in De Benedetti switches over to home

TAKEOVER talk again boosted French share prices while in Milan rumours about De Benedetti groups abounded...

London

THE RESULTS season began with Midland, British Petroleum and Plessey failing to lift the market out of its doldrums...

Benedetti's takeover target Societe Generale de Belgique. The stock index rose 17.7 to 4,561.3.

ASIA

Large-capitals underpin sixth consecutive gain

INVESTOR interest centred on large capital and consumer stocks in Tokyo yesterday, with share prices rising for the sixth consecutive trading day...

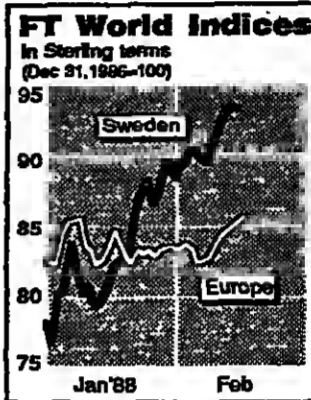
Australia

STABILITY in the bullion price and bullish sentiment sparked by buoyant corporate results...

Sara Webb in Stockholm charts a solid advance buoyed by liquidity and optimism

Good results lift Swedish stocks

THE COMBINATION of pent-up liquidity and a generally good state of corporate figures have helped the Stockholm stock market to post one of the stronger increases in Europe so far this year...



have been hurt by the lower share price. The group made this up with stronger performances from its truck and food divisions...

The Midas Touch advertisement featuring an image of a Midas Touch car and text explaining the benefits of the insurance policy.

Vertical text on the right edge of the page, including 'Inde...', 'Kinn...', 'Ande...', 'Mire...', 'Wald...', 'Reser...', 'Worke...', 'Nerige...', 'US office...', 'Seventy m...', 'Israel's se...', 'Right idea', 'MARKETS', 'DOLLAR', 'US LUNCH', 'GOLD', and 'New York: C...